

FINANCIAL TIMES

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MONDAY APRIL 20 1998



Heinrich von Pierer
Siemens boss tries
to satisfy everybody
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Breaking the ice
New technology
for ships in the Arctic
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Deregulated power
California's experiment
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Business education
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demand for MBAs
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WORLD NEWS

Chinese dissident Wang Dan released from jail and flown into exile in US

Wang Dan, a leader of the 1989 Chinese Tiananmen Square protests, was freed from prison on medical grounds and fled to the US yesterday, a move seen as a concession to a US-China summit in June. But human rights groups accused Beijing of a cynical move ahead of the visit of US president Bill Clinton. Page 4

Oil-for-food talks open

A European Union-sponsored conference opens in London today to consider ways of swiftly implementing the UN oil-for-food programme in Iraq. Page 8

Austria re-elects president

Austria's Thomas Klestil was re-elected president for a second term, according to provisional official results put him well ahead of his nearest rival, Lutheran bishop Gerhard Kroll. Page 2

Berkusov picked to head party

Former Italian prime minister Silvio Berlusconi was elected president of Forza Italia at the weekend. The media tycoon founded the political party in 1994. Page 2

Colombian activist murdered

Eduardo Umaña, a Colombian lawyer known for defending guerrilla leaders, was killed in Bogotá on Saturday by assassins posing as journalists. He was the third Colombian human rights activist to be murdered in two months. Page 2

Challenge issued to Indian PM

The All India Anna Dravida Munnetra Kazhagam, a key coalition ally of Indian prime minister Atal Behari Vajpayee, demanded the removal of three ministers it said were involved in investigations. Page 4

Yemeni tribesmen kidnapped

A British Council official and his family as they travelled from Aden to the capital Sanaa. Kidnapping is common among Yemeni tribes with grudges against the government or foreign oil companies. Page 4

Soccer stampede kills 4

Four Zimbabweans died and 10 more were badly hurt in a stampede for seats at an independence day soccer match at the weekend. Page 4

Washington backs Cambodia poll

The US joined other western countries in supporting the Cambodian government's plan for a general election on July 28. Washington is now expected to give up to \$7m to help private agencies support and monitor the vote. Page 4

Nepal seeks rethink on dam

Erion of the US has still not given up the idea of participating in a Nepali hydroelectric scheme, the company and Nepali officials said. Erion quit the \$7bn project on April 9 citing delays in decision-making, but a new Nepal government was formed last week. Page 4

Ex-Beatle's wife dies

American-born Linda McCartney, wife of ex-Beatle Paul, died in the US on Friday aged 58, the pop singer's spokesman said. Mrs McCartney, who had her own food company, had been having treatment for breast cancer. Page 9

BUSINESS NEWS

British Steel plans to pay suppliers in euros in new drive to cut costs

British Steel plans to pay some of its UK, Australian and Brazilian suppliers in euros instead of pounds and dollars. The company receives much of its income in continental European currencies and has been hit exceptionally hard by their decline against the dollar and the pound. Page 14

Leaders of 34 countries in the Americas

promised to press ahead with the creation of a common market in goods and services by 2005 that would embrace 750m people. Page 14; Clinton falls to sway doubters. Page 3

British Aerospace and Dassault

aviation of France are to form a joint venture to develop new technology that could be used in their competing combat aircraft, Eurofighter and Rafale. Page 15

The London International Financial

Futures and Options Exchange is expected to make radical changes to its structure which could include full demutualisation. Page 16

Martin Ebner, the Swiss financier,

has increased his stake in ABB to more than 5 per cent, in a move that could signal his plans to take a more active interest in the international engineering company. Page 15; Observer, Page 13

Progressive Asset Management,

the UK "vulture fund" manager, hopes to launch a UK fund in June to target sickly emerging markets investment trusts. Page 16

Evikrom, a private Russian oil

group partly owned by two quoted UK companies, is to be floated on the Russian stock market. Page 18

Credit Mutual, French mutualist

bank, is to release back on to the stock market 15 per cent of CIC, the state-owned bank in which it has two-thirds control. Page 20

Lazio, the Rome soccer club,

will today kick off its roadshow to publicise its offering of shares to private and institutional investors. The club will be the first Italian soccer team to offer shares on the stock market. Page 19

Brazil's Superior Tribunal

of Justice (STJ) has ruled that the sale of Metropolitan, the largest electricity distribution company in Latin America, was valid. Page 20

Caterpillar, US manufacturer of

earth-moving equipment, announced record first-quarter results, reporting an after-tax profit of \$430m, up 9 per cent on the same period in 1997. Page 18

AIG, the US-based international

insurance group, has reportedly offered to take over Aoba Life Insurance of Japan. Page 19

NCR, US data warehousing and

computer group, plans to acquire the 30 per cent of NCR Japan it does not already own. Page 20

Hong Kong today sees the launch

of two new stock market indices, including a bumper Hang Seng 100 index that brokers believe will eventually replace the existing index. Page 20

Emi Airways, Taiwan's second

largest international carrier, suffered foreign exchange losses last year from Asia's currency turmoil, although passenger volume was only lightly affected. Page 19

World Equity Markets

The latest trends and data from more than 50 national markets at a glance
Page 35

EMS: GRID

The chart shows the immediate consequences of the exchange rate fluctuations against the common currency in the system. The chart shows the immediate consequences of the exchange rate fluctuations against the common currency in the system. The chart shows the immediate consequences of the exchange rate fluctuations against the common currency in the system. Page 29

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London • Leeds • Paris • Frankfurt • Stockholm • Milan • Madrid • New York
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	Index	Value	Change
London	FTSE 100	4,800.00	+10.00
Paris	CAC 40	3,500.00	+10.00
Frankfurt	DAX	2,500.00	+10.00
Stockholm	NOMIX	1,500.00	+10.00
Milan	ISEQ	1,000.00	+10.00
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WORLD NEWS

LIFE ASSURANCE TAX DISCRIMINATION SEEN AS A BARRIER TO MULTINATIONAL GROUPS SETTING UP SINGLE SCHEMES ACROSS EUROPE

Court ruling set to allow EU-wide pensions

By Jane Martinson, Investment Correspondent

A leading pensions consultant in Brussels expects a ruling to be delivered next week by the European Court of Justice (ECJ) to open the door to pan-European pensions and insurance policies.

The judgment on the Saffir life assurance case is expected to follow the advice of the advocate general and to declare tax discrimination between member-states illegal under EU law.

Such tax discrimination has proved a barrier to multinational companies, in particular, which are keen to set up one central pension fund to cut costs and improve portability for staff across Europe.

Geoffrey Furlonger, head of EU practices at William Mercer in Brussels, said: "This removes the last major barrier to the creation of pan-European pension funds. With this case we are 85 per cent of the way there."

The European court is expected to make its ruling

on Tuesday next week. It is rare for an ECJ ruling to go against the advice of the advocate general.

The Saffir case involves a Swedish woman who chose to buy life insurance from Skandia in England. Swedish authorities imposed a tax on the product as it was not bought domestically, a move which was declared illegal by the advocate general last year.

In addition, his judgment rejected the application of a previous European court case ruling in Belgium - the

Bachmann case - which stated that the lack of cohesion was a valid reason for differential tax treatments among member-states.

"Many observers believe that it is only the Bachmann case which is preventing widespread use by multinational employers and insurers of pan-European insurance and pension vehicles," said Mr Furlonger. Insurance products are typically used to provide pensions in Europe.

Mr Furlonger added that recent work on setting up a

pan-European fund for a multinational client had foundered on the issue of tax. "It's the tax barriers which made it hardly worthwhile. You would typically have to create a separate tax structure to get local tax credits."

Simon Arnot, an adviser at British American Financial Services, part of the Allied Dunbar group, said the decision was likely to bring pan-European pension funds a step closer. However, he said there was still an issue over fiscal coher-

ence in the Bachmann case. Any change to the tax system for pensions is likely to be opposed by some member-states. Examples of the remaining barriers include social security complications and the national pension system in France.

However, an ECJ judgment would be welcomed by many multinational companies. Jos van Nieuwer, managing director at Unilever Pensionsfonds in the Netherlands, welcomed any move which would make a pan-European fund easier to create.

New term for president in Austrian poll

By Eric Frey in Vienna

Thomas Klestil, Austria's federal president, was elected yesterday to another six-year term with a sweeping majority.

The conservative incumbent gained 63.5 per cent of the vote, and his nearest challenger, Gerhard Klöckner, a Protestant bishop running on a centre-left platform, won 13.5 per cent.

Mr Klestil's re-election was widely predicted by opinion polls and reflected his high job approval rating and voters' desire for continuity. The 65-year-old former diplomat, who was put up by the conservative People's party in 1992, ran formally as an independent this time and was also backed by the Social Democratic party and the far-right Freedom party, the biggest opposition force.

The result showed that "the Austrians are profoundly reasonable. During a period of extreme change, Mr Klestil had managed his tasks extremely well," said Wolfgang Schüssel, foreign minister and People's party chairman.

During the campaign, Mr Klestil stressed his experience in foreign affairs and his role as an impartial arbiter in domestic politics. He helped to break Austria's international isolation after the disastrous presidency of Kurt Waldheim, who was shunned by most western countries because of allegations that he was involved in atrocities while serving as a

German soldier during the second world war.

Mr Klestil worked hard for Austria's entry into the European Union and strongly supported such EU projects as monetary union and eastern enlargement. He also advocated NATO membership in the past, but backed away during the campaign to gain the support of the Social Democrats, who favour neutrality. Marital problems and a bout of lung disease overshadowed his first term, but did not harm his popularity.

The head of state has mostly representative functions, but his voice counts on important issues and he can influence the formation of a government.

Mr Klestil was a strong supporter of the coalition between the People's and the Social Democratic parties and is known to be on good terms with Chancellor Viktor Klima, a Social Democrat, who angered some in his party by not putting up a candidate against Mr Klestil. But during the campaign, he also embraced Jörg Haider, the populist leader of the Freedom party, and won Mr Haider's endorsement in return. Mr Klestil is still expected to back the continuation of the current coalition after next year's parliamentary elections.

Among the other candidates, Heide Schmidt, the leader of the Liberal Forum, and the construction tycoon Richard Lugner both scored about 10 per cent.

Spaniards duel to be Socialist candidate

David White on a primary contest to assume Felipe González' mantle

Two men of the same generation but contrasting styles fight it out this week to be Spain's Socialist opposition candidate for prime minister in the next election, due by early 2000.

It will be the first time since the Franco dictatorship that the Spanish Socialist Workers party (PSOE) has fought a general election under anybody but Felipe González, the charismatic leader who brought it four consecutive victories and headed the government for 13 years.

An unprecedented vote on Friday among the party's 380,000 members will decide which of two ex-ministers will be its figurehead in its effort to unseat the centre-right incumbent, Jose Maria Aznar.

One is Joaquín Almunia, 46, PSOE leader since last June, a reassuring bald and bearded figure from a solid middle-class Basque background, a bit chubby and crumpled, tough by nature and sometimes cutting, but amenable and undogmatic.

The other, in the role of challenger, is Jose Borrell, just turning 51, scholarly boy, intensely clever, highly articulate, trim, clothes-conscious, with an adventurous streak and a spark of ideological passion.

Holding primaries for elected posts is a new idea which could backfire. The first trial came in the Basque country, where elections are scheduled in October. The PSOE's regional leader, Nicolás Redondo Ter-



Joaquín Almunia after his election as party leader last June AP

reras, deciding late in the day that he ought to head his list of candidates, only narrowly won the vote.

The primaries primary was to have been a token contest, rallying support behind Mr Almunia and putting paid to speculation about a González comeback or an early return as candidate by Javier Solana, the Nato secretary general and former Socialist foreign minister. But the campaign, launched a month ago when Mr Borrell announced he would run, has opened a Pandora's box.

Mr Almunia, an economist from Bilbao, was always close to Mr González, the youngest member of his first cabinet, minister of labour, then public administration and later PSOE parliament-

ary spokesman.

When Mr González unexpectedly quit the leadership at a conference last June, it was Mr Almunia to whom the party turned in a rushed search for a replacement capable of uniting it. But as the members of the new executive committee took their seats, it was Mr Borrell who drew the biggest applause from delegates.

Mr Borrell has been something of a political lone wolf. A baker's son from a small town in up-country Catalonia, he had a precocious and brilliant university career which took him to the US and France. He has a degree in aeronautical engineering, a doctorate in economics, and a master's from Stanford.

When he joined the Socialist government as state secretary for finance, he was considered a technocrat and associated with liberalising policies. But he won a name by pursuing the rich and famous for taxes. And later, promoted to "superminister" for public works, transport

and the environment, he figured increasingly as a defender of the public sector.

He rejects "the fatalism of the market", believing there are limits to what should be left to market forces and seeing it as the state's duty to correct economic imbalances and inequalities.

Mr Borrell insists he is not "a dangerous leftist" but a social democrat. "I have always been at the centre of the left," he said on a recent campaign trip. "Others may be on the left of the centre, which is not the same thing." But he has kept away from factional struggles in the party, belonging to neither of the main clans - neither the moderate González loyalists, nor the more orthodox Socialists associated with the former number two, Alfonso Guerra, who is now out of the picture.

The two men have followed each other around the country mustering support. Mr Almunia has the backing of party barons in key regions such as Andalusia, where the PSOE has more than a quarter of its membership. He remains favourite to win, but it could be close. Ministers in the Popular party (PP) government claim they would rather fight Mr Borrell, an easier target to attack.

Either way, it could be perilous for Mr Almunia. The party's prospects of a quick return to power, which seemed possible after the 1996 elections, have dwindled. With the country banking in economic recovery, the PP has led the polls for the past year. If Mr Almunia wins the candidacy and goes on to lose the election, he risks the criticism that the party fielded the wrong candidate. And if he loses the primary, it would re-open the question of the leadership and show up the party's difficulty in finding its way in the post-González era.

Czech investment funds, which became the country's most important shareholders after voucher privatisation, are to be forced to sell their holdings and allow investors to withdraw their capital.

The move, passed by the lower House of Parliament on Friday, will allow small investors to realise some gains from the country's transformation, and will result in new owners of companies capable of taking the restructuring process forward.

Hundreds of investment funds sprang up in the early 1990s, exchanging their own shares in return for citizens' share voucher booklets. However, after numerous frauds and incidents when stakes were traded with little concern for fundholders' interests, fund shares now trade at a discount of about 30 per cent to the net asset value per share (NAV) of their investments.

After the amendment passes the Senate later this summer all funds will be forced to become open-ended by the end of 2002, allowing shareholders to redeem their shares at their NAV rather than the stock exchange trading price. Funds which are trading at a 40 per cent discount to NAV will be forced to become open-ended in the first year after amendment is passed.

The amendment also cuts the maximum stake a fund can hold in one company from 20 per cent to 11 per cent by the end of 2000. Together with the need to

raise cash to pay shareholders, this will compel funds to sell the large shareholdings they built up using the vouchers.

Jarí Spicka, head of the financial markets department of the finance ministry, says: "Voucher privatisation resulted in a freezing of the structure of ownership. The funds are bad owners. Our companies must be restructured but the funds do not have the expertise to do this and they're not able to provide additional capital."

Investment funds have

already begun grouping their shareholdings for sale at a premium to strategic investors, and switching their investments to bonds and foreign stocks.

However, they successfully pleaded for a delay in the amendment taking effect, saying it would force them to sell their stakes cheaply, so hurting their shareholders and destabilising the market.

Some funds, which are trading at huge discounts to NAV because of their managements' poor reputation,

will be driven out of business as investors rush to realise their capital. But Tomas Jizek, the former head of the Prague stock exchange who is now a member of the new Securities Commission which supervises the funds, says the amendment will not be destabilising.

"In the short term there is a danger of too many shares coming on to the market but this will attract foreign investments," he said. "In the long term it can only be positive."

NEWS DIGEST

ITALIAN POLITICS

Berlusconi formally made leader of Forza Italia

Silvio Berlusconi, the former Italian prime minister, was formally elected president of Forza Italia, the party he founded four years ago, at the weekend. The media magnate-turned-politician was the only candidate and was elected by acclamation at the party's first national congress.

Mr Berlusconi, 61, Europe's wealthiest media tycoon, founded Forza Italia in early 1994 and led the centre-right Freedom Alliance to victory in elections in March that year. He was prime minister for seven months before his coalition collapsed when the Northern League withdrew support.

Forza Italia is now the largest party in an opposition alliance confronting the centre-left government of the prime minister, Romano Prodi. Mr Berlusconi's leadership of the opposition alliance has come under criticism from within the grouping. Opponents accuse him of mixing his political ambitions and business interests.

A Milan court convicted him last December of false accounting in a 1988 transaction by his Fininvest business empire. Reuters, Milan

COLOMBIAN KILLING

Civil rights lawyer murdered

Unidentified gunmen murdered Eduardo Umaña, a Colombian human rights lawyer, at the weekend, the country's second Freedom Alliance to victory in elections in March that year. He was prime minister for seven months before his coalition collapsed when the Northern League withdrew support.

Authorities said a special team was being assembled to investigate the crime. The government has offered a reward of \$370,000 for the capture of the assassins.

Several public sector unions, whose members Mr Umaña was defending, have threatened to hold a 24-hour strike in protest at the murder. Adam Thomson, Bogotá

PARAGUAYAN ELECTION

Opposition candidate barred

Paraguay's President Juan Carlos Wasmosy has won a victory over his arch-enemy, former General Lino Oviedo, which could clear the way for presidential elections. The electoral tribunal barred Mr Oviedo's candidacy at the weekend after the Supreme Court on Friday ratified a 10-year prison sentence against him.

Mr Oviedo, surprise winner of the ruling Colorado party's primaries last year, was convicted of mounting an April 1996 coup attempt against Mr Wasmosy. Mr Wasmosy and allies had revived the dormant charges in order to derail Mr Oviedo's candidacy. Ken Warr, Buenos Aires

GERMAN POST

Mail service licences awarded

Germany has awarded the first wave of 11 licences for mail service companies wanting to challenge Deutsche Post, the state-owned mail service.

The move follows the partial opening of the German post market earlier this year. Further licences are expected to be granted in coming weeks.

Of those awarded already, two were for country-wide services. Until the end of 2002, Deutsche Post, which is being lined up for privatisation, will retain a monopoly in the handling of standard letters up to 200g and bulk, or "junk", mail up to 50g. Ralph Atkins, Bonn

TELEVISION IN POLAND

Rival operators to co-operate

Two rival digital television service operators have agreed to co-operate to provide Poland, Europe's fifth largest television market, with its first multichannel service from the autumn. US-financed At Entertainment and Canal Plus Polska, local subsidiary of the French pay TV channel, had planned to offer separate digital services. Christopher Bobinski, Warsaw

PRIVATISATION FALLOUT INVESTMENT TRUSTS TO BECOME OPEN-ENDED BY 2002

Czech funds to be forced to sell

By Robert Anderson in Prague

Czech investment funds, which became the country's most important shareholders after voucher privatisation, are to be forced to sell their holdings and allow investors to withdraw their capital.

The move, passed by the lower House of Parliament on Friday, will allow small investors to realise some gains from the country's transformation, and will result in new owners of companies capable of taking the restructuring process forward.

Hundreds of investment funds sprang up in the early 1990s, exchanging their own shares in return for citizens' share voucher booklets. However, after numerous frauds and incidents when stakes were traded with little concern for fundholders' interests, fund shares now trade at a discount of about 30 per cent to the net asset value per share (NAV) of their investments.

After the amendment passes the Senate later this summer all funds will be forced to become open-ended by the end of 2002, allowing shareholders to redeem their shares at their NAV rather than the stock exchange trading price. Funds which are trading at a 40 per cent discount to NAV will be forced to become open-ended in the first year after amendment is passed.

The amendment also cuts the maximum stake a fund can hold in one company from 20 per cent to 11 per cent by the end of 2000. Together with the need to

raise cash to pay shareholders, this will compel funds to sell the large shareholdings they built up using the vouchers.

Jarí Spicka, head of the financial markets department of the finance ministry, says: "Voucher privatisation resulted in a freezing of the structure of ownership. The funds are bad owners. Our companies must be restructured but the funds do not have the expertise to do this and they're not able to provide additional capital."

Investment funds have

already begun grouping their shareholdings for sale at a premium to strategic investors, and switching their investments to bonds and foreign stocks.

However, they successfully pleaded for a delay in the amendment taking effect, saying it would force them to sell their stakes cheaply, so hurting their shareholders and destabilising the market.

Some funds, which are trading at huge discounts to NAV because of their managements' poor reputation,

will be driven out of business as investors rush to realise their capital. But Tomas Jizek, the former head of the Prague stock exchange who is now a member of the new Securities Commission which supervises the funds, says the amendment will not be destabilising.

"In the short term there is a danger of too many shares coming on to the market but this will attract foreign investments," he said. "In the long term it can only be positive."

CONTRACTS & TENDERS

Invitation for Bids

Date of issuance of IFB: April 20, 1998

Loan No.: 3597-HU

IFB No.: 9814-004

IFB Title: MISS Project Phase 1A

1. The Republic of Hungary has received a loan from the International Bank for Reconstruction and Development (the World Bank) in various currencies towards the cost of the Health Services and Management Program. It is intended that part of the proceeds of this loan will be applied to eligible payments under the contract for the Hungarian Hospital Management Information Support System (MISS) component, managed by the World Bank PMU of the Ministry of Welfare, Republic of Hungary.

2. The METRIMPEX CO. LTD., the Procurement Agent duly authorized to act on behalf of the Purchaser, now invites sealed bids from eligible bidders for the supply, installation and support of a Management Information Support System solutions (development and delivery of hardware and software elements, installation and training) for three individual hospitals and one hospital group (altogether 4 LOTS).

LOT 1: Fővárosi Önkormányzat Szent János Kórháza (hospital)
LOT 2: Országos Korányi TBC és Pulmonológiai Intézet (hospital)
LOT 3: Hajdú-Bihar Megyei Kórház Kórház és Rendelőintézet (hospital)
LOT 4: KÖRNYI KHT (Vas Megyei Kórház) (hospital group)

Bidders may bid on one or more LOTS, but must offer a complete bid in all respects regarding the requirements for each LOT. Bidders (including consortia and joint ventures) must demonstrate (collectively) the following qualifications to be considered eligible: (a) no less than three years experience in the development, implementation and support of complex information systems; (b) during the last five years successfully implemented three (3) successful information systems of at least comparable complexity and scale as the Base system described in the Technical Specifications for each LOT. The Bidder bids upon. (One of the three must have been in a hospital, clinic or other care institution); and (c) previous year turnover of no less than the total bid price for all LOTS offered. (For consortia and joint ventures the minimum turnover qualification for each Partner shall be no less than the value of the supplied components by that partner, which in no case shall be less than 25% of the total Bid Price).

3. Interested eligible bidders may obtain further information regarding questions of commercial and general type from and inspect the Bidding Documents at the office of:

Mailing Address: METRIMPEX CO. LTD.

Computer Tendering Office

H-1025 Budapest, Szépvirányi út 52.

Contact Name: Ms. Judit CSÖNTÖS

Telephone: (361) 267-5650, 267-5600

Facsimile: (361) 267-5650, 267-5636

Interested eligible bidders may obtain further information regarding technical contents of MISS related matters of the Bidding Documents at the office of:

Mailing Address: The World Bank PMU (Project Management Unit)

MINISTRY OF WELFARE

REPUBLIC OF HUNGARY

H-1023 Budapest, Franklini Leó utca 30-34

Contact Name: Mr. Péter BARNA

Dr. László BALKÁNYI

Telephone: (361) 245-0834

Facsimile: (361) 326-0254

4. A complete set of Bidding Documents (approximately 1800 pages) covering four (4) LOTS may be purchased by interested bidders, on or after April 20, 1998, by one of the following methods.

(a) Applying in person at Metrimpe Co. Ltd 1025, Budapest, Szépvirányi út 52 during the hours of 08:00 to 14:00 Monday through Friday (national holidays excluded) and the payment of a non-refundable fee of USD 230 (for foreign bidders) or HUF 49000 plus 25 percent VAT (in case of local bidders); or

(b) Submitting a written application to Metrimpe Co. Ltd 1025, Budapest, Szépvirányi út 52, including payment of a non-refundable fee of USD 230 (for foreign bidders) or HUF 49000 plus 25 percent VAT (in case of local bidders), and selection of one of the following shipping arrangements: (i) the submission of a valid DHL account number, or (ii) payment of a fixed USD 270 for DHL delivery.

Remittance of the above fee(s) is to be made to the following Account No. of Metrimpe Co. Ltd. bearing the name of the Project and the IFB No. (9814-004).

Account No.: CIB 10700024-02083003-51100005

5. The provisions in the Instructions to Bidders and in the General Conditions of Contract are the provisions of the World Bank Standard Bidding Documents: Procurement of Information Systems, International Competitive Bidding.

6. Bids must be delivered to the above office of METRIMPEX no later than 10 a.m. on June 15, 1998 and will be opened there in public at 10:30 am on the same day in the presence of the representatives of Bidders who choose to attend.

7. All bids must be accompanied by a security of no less than USD 12000 (twelve thousand US Dollars) or HUF 2484000 (two million, four hundred and eighty four thousand Hungarian Forint) per LOT bid upon, in the form of (a) a cashier's or certified check, or (b) a bank guarantee or irrevocable Letter of Credit issued by a reputable bank selected by the Bidder.

8. For clarification of this project, a Pre-Bid Conference will be held at Palm Hall of Budapest Convention Center (address: Budapest XII. József körút 1/3) on May 18, 1998, at 10:00 a.m. Bidders are requested to put questions concerning the documents in writing prior to the Pre-bid conference no later than May 14, 1998 at 2:00 p.m.

COMMIT OF THE AMERICAS
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to win O
doubters

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SUMMIT OF THE AMERICAS US PRESIDENT UNABLE TO DISPEL FEARS OVER CONSTRAINTS OF HOSTILE CONGRESS

Clinton fails to win over doubters

By Gerard Baker in Santiago

"The United States invariably does the right thing... after it has exhausted every other alternative." Thus, quoting Winston Churchill, President Bill Clinton reassured his fellow heads of government at the weekend Summit of the Americas that for all their fears that his administration was mis-

handling policy in the region, all would be right in the end. But as the leaders concluded two days of talks yesterday with a pledge to continue the integration begun four years ago at their first summit in Miami, it was far from clear that Latin American governments shared Mr Clinton's confidence.

On a number of important questions, Latin American leaders are troubled by the realisation that, whatever Mr Clinton may promise, a Congress in Washington increasingly hostile to foreign engagement constrains the president.

The failure of Mr Clinton to secure fast track trade negotiating authority, congressional hostility to Cuba and suspicions of closer co-operation with Latin American governments on drugs may render irrelevant much of what Mr Clinton is trying to do.

US officials were eager to dispel any suggestions that they had come to Santiago weakened by problems at home. "America's leadership has not been stronger in this hemisphere for over 30 years... The president is clearly... the central figure... at this summit. The agenda is an agenda that reflects our agenda," said Sandy Berger, the president's national security adviser.

And on one level that assessment seemed correct.

The Clinton administration had made democracy the central point of the Santiago summit. The "quiet revolution" which had toppled dictatorships throughout Latin America in the last decade was, Mr Clinton claimed, as significant as the fall of the Berlin Wall. And there was recognition that in the last decade at least, the US had played a positive role in promoting that democratic revolution.

But the critical challenge facing Latin America, as US officials insisted on reminding everyone, was to underpin the new democracies with a second generation of reforms aimed at improving the social and economic conditions of the people.

The summit leaders pledged urgent action on this, but there was little con-

science the US could contribute much to the process.

Raising the standard of living of the poorest Latin Americans required integrating the region's economies, opening them to trade, the leaders said. To that end the summit formally launched the Free Trade Area of the Americas - to be completed by 2005. But without US fast track authority, progress will be slow.

In the meantime, Latin Americans seem certain to press ahead with their own regional trade agreements that could leave the US out in the cold. And worse still for the US, they seem likely to push for trade pacts with Europe.

On other areas of policy, the gap between Clinton administration commitments and congressional reality was never far from the negotiations. General Barry



Clinton at the summit yesterday; failure to win fast track authority will slow progress on trade

US sidelined as Mercosur power grows

By Inogen Mark in Santiago

The US team in Santiago was not able to wield as much influence as it had at the first Summit of the Americas, in Miami in 1994. That summit, convened by the US, had as the main item on the agenda the aim of achieving a free trade area of the Americas (FTAA) by gradually expanding the North American Free Trade Agreement.

The applicants were to line up and present their credentials, and then wait their turn to be invited to join," as José Miguel Insulza, the Chilean foreign minister, put it.

But Santiago was convened within the framework of the Organisation of American States - all 34 states of Latin America and the Caribbean with the exception of Cuba. The US may still be first among equals, but has only one vote, like the smallest Caribbean nation.

And US President Bill Clinton came to the meeting with no "fast-track" authority from Congress to negotiate any kind of trade agreement. In the Chilean view, that had already turned out to be an advantage.

"If they had had [fast track], they would have insisted on issues [on the agenda] that are basic for the US but for Latin America are either not acceptable now or not in the form in

which the US was proposing them," a Chilean official said.

Four years on from Miami, the FTAA will not now be a gradual expansion of NAFTA. Instead, regional integration will be constructed from the existing sub-regional trade groupings.

Mercosur, a customs union led by Brazil and Argentina, has become the most important alliance in the region. Paraguay and Uruguay are full partners, Chile and Bolivia are associate members. The Andean Pact, an older grouping of Peru, Ecuador, Colombia, Venezuela and Bolivia, is to start talks on closer integration with Mercosur.

In the Santiago summit the full Mercosur members sat together, as did the other regional groupings - the Andean Pact, the Central American common market and Caricom, for the Caribbean states. The NAFTA partners, however, sat and acted independently.

The relative weakness of the US position meant the Mercosur group had far more influence on the agenda. The Chileans pushed in the "soft" issues of education and judicial reforms and strategies for combating poverty. The idea was to shift the emphasis away from Washington's insistence on the negative issues in hemispheric relations, such as drugs, corruption, and terrorism.

Spain to boost Cuban trade

By Pascal Fletcher in Havana

Spain's biggest business organisation, encouraged by the recent return to normal diplomatic ties between Madrid and Havana, has launched an initiative to boost the Spanish trade and investment presence in Cuba.

A delegation from the Confederación Española de Organizaciones Empresariales (CEOE), comprising 70 Spanish companies, visited the communist-ruled Caribbean island last week.

The group, headed by José María Cuevas, CEOE president, was believed to be the biggest Spanish business delegation to visit Cuba. The visit followed a move by Spain earlier this month to name a new ambassador to Havana. The nomination was quickly accepted, ending a diplomatic row which had started in late 1996 when President Fidel Castro's government, stung by Spanish criticism, had refused to accept a new ambassador.

Mr Cuevas yesterday announced agreements with the Cuban authorities to promote and support Spanish investment in Cuba. A number of projects and letters of intent, covering several sectors of the Cuban economy had been signed by members of his delegation.

Cuba had also indicated its desire to renegotiate the \$120bn (\$77m) debt it owed to Spain.

Among the Spanish companies discussing possible projects in Cuba is the power company Endesa, which is interested in becoming an investor and operator in a \$500m Canadian-led joint venture to modernise and expand a Soviet-built thermo-electric power plant on the island.

● The Canadian prime minister, Jean Chrétien, will visit Cuba on April 27, invited by President Castro, in a visit expected further to boost fast-developing trade and political relations.

UK mission aims to get share of Argentine banking action

By Ken Warr in Buenos Aires

A British trade mission is visiting Argentina this week in an effort to drum up more financial services business and chip away at New York's dominance of local investment banking and asset management.

The mission, led by Howard Davies, chairman of

the Financial Services Authority, includes more than 30 representatives. It is dominated by financial services, but includes construction and engineering companies such as Rolls-Royce and Kvaerner Corporate Development.

Britain was targeting areas such as retail banking, asset management, mutual

funds, and financial options and futures, said William Marsden, Britain's ambassador to Argentina.

While it was unrealistic to think the City of London could overthrow New York's long-established dominance of local investment banking, Britain wanted to win more of the business, and encourage bigger Argentine compa-

nies to list on the London stock exchange. "Argentina, is interesting for the mission for two main reasons," said Mr Marsden. "Economic momentum has been maintained after the Asian financial crisis - no one is talking about growth of less than 5 per cent this year. Secondly, there is a strongly increasing demand for capital."

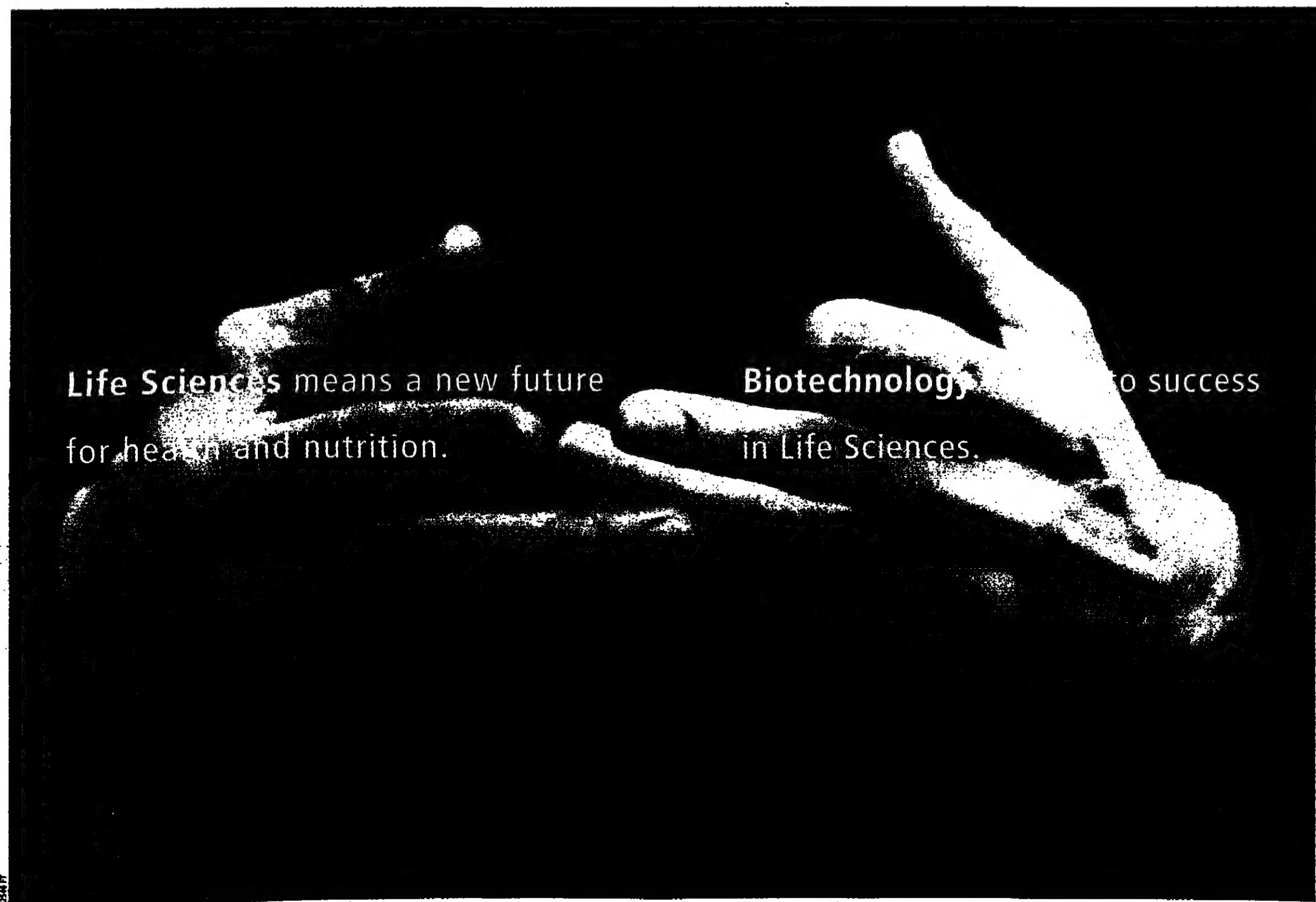
Among Argentines, widespread public distrust of financial institutions was being steadily overcome, thanks to continued economic stability, he added. The mission comes against a background of increasing trade between the two countries, which was halted after the 1982 Falklands conflict. UK exports to Argentina

totalled \$487m (\$613m) last year, against imports of \$270m. However, Britain's share of Argentine imports, at 2.7 per cent, is still about half its pre-conflict level. "We are rebuilding our economic and investment links with Argentina for our mutual benefit," said Mr Marsden. "We want to encourage Argentine busi-

nesses to sell to Britain." Britain's financial presence in Argentina received a big boost last year with the HSBC Group's \$800m purchase of the Roberts banking and financial services group. Commercial ties are expected to be underlined during President Carlos Menem's visit to Britain, due this October or November.

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ASIA-PACIFIC

Former Korea chief of staff questioned

By S.J. Lee in Seoul

South Korean prosecutors yesterday questioned former President Kim Yung-Sam's chief of staff in a widening probe into the country's financial crisis late last year which could extend to include the former president himself.

Along with two other separate investigations into alleged corruption cases under the Kim government, the probe could lead to prosecutions of many who worked for Mr Kim as bureaucrats or politicians, affecting results of local elections scheduled for early June.

Mr Kim ended his five-year term in February to be replaced by President Kim Dae-Jung, who won the December election on the back of popular anger over the old government's failed economic policy.

The former president's chief of staff, Kim Yong-Tae, was questioned by prosecutors to determine responsibility for the financial crisis which led South Korea to the brink of national default, forcing it to seek a record \$50bn bailout by the International Monetary Fund.

News reports said former President Kim would also be questioned in connection with a recent claim by government auditors that his finance minister, Khang Kyong-Shik, and chief presidential economy adviser, Kim In-Ho, aggravated the

financial crisis by not reporting the seriousness of the matter to the president promptly.

The two are also accused of refusing to seek help from the IMF, ignoring warnings by the central bank and officials that IMF assistance was required.

Mr Khang, who had served as the finance minister for seven months until he was sacked by the president in November, has claimed in recent media interviews that the Korean economy's structural problems, not his policy failures, were responsible for the crisis. Former President Kim himself is also blamed by critics for not taking action early enough.

Executives at several merchant banks and the banks association have been questioned amid allegations that several merchant banks were granted government licences between 1994 and 1996 after bribing officials at the ministry of finance and economy.

Merchant banks are widely viewed as a key reason for Korea's foreign currency crunch late last year. They had borrowed large amounts in short-term debts in overseas markets to re-lend them to companies in the form of long-term loans to take advantage of the difference between short- and long-term interest rates. Their inability to pay back the short-term debts worsened Korea's foreign debt payment problems.

China frees dissident ahead of US summit

By James Kyong in Beijing

China sent Wang Dan, its last world-famous imprisoned dissident, into exile in the US yesterday, a move which diplomats said was calculated to win concessions at a US-China summit in June.

A US official yesterday said Washington welcomed the decision to release Mr Wang. It was positive news and something the US had been working towards for some time, the official said.

The European Union also welcomed the release and the UK foreign secretary, Robin Cook, said he hoped there would be progress on other such cases.

Human rights groups approved of the release but complained that Beijing was playing a cynical game ahead of the visit of Bill Clinton, the US president.

Mr Wang, a leader of the 1989 student protests in Tiananmen Square, was released on medical parole from a prison in northeast

China where he was serving an 11-year sentence for plotting to overthrow the government. China released Wei Jingsheng, father of its modern democracy movement, late last year following a summit between Jiang Zemin, China's president, and Mr Clinton.

Shang Dewen, former professor at Beijing University, said Mr Wang's release did not signal a change in China's attitude and was unlikely to preclude the release of a significant number of political prisoners.

The release, he said, was aimed at building US goodwill before the summit. It would allow China to deflect human rights criticism and help it achieve what commentators say is one of its main summit goals - banishing a stigma still lingering from the Tiananmen massacre. Specifically, Beijing wants Tiananmen-era curbs, such as those on the Chinese launching of US satellites, to be lifted.

On the trade front, US officials say the summit would provide an ideal opportunity to try for progress in talks on China's planned accession to the World Trade Organisation.

A deputy secretary general of the Taipei-based Straits Exchange Foundation, the nominally unofficial body which conducts the island's talks with China, is expected in Beijing this week to restart dialogue broken off in 1995 after Beijing protested against a visit to the US by Lee Teng-hui, Taiwan's president.

The US has been applying pressure behind the scenes to bring Taipei back into dialogue with Beijing, diplomats said.

Russia, Japan take steps to strengthen ties

By Michio Nakamoto in Tokyo

Russia and Japan took a step towards strengthening relations in a weekend meeting between President Boris Yeltsin and Ryutaro Hashimoto, prime minister, at the Japanese seaside resort of Kawana.

The meeting produced few big surprises but confirmed the deepening ties between the two countries, which are crucial to the stability of the Asian region.

It was agreed that Mr Hashimoto would make an official visit to Russia later this year and Mr Yeltsin would visit Japan next year.

The past two meetings which have led to a significant improvement in bilateral relations have been on an unofficial basis.

In addition, Japan offered to disburse \$600m in untied loans within the year, as part of \$1.8bn in untied loans offered to Russia when the Japanese foreign minister visited Moscow.

Aside from the international politics, both leaders are under increasing pressure on domestic issues. Mr Yeltsin is facing a serious challenge to his authority after the Russian parliament

failed for the second time to approve his candidate for prime minister. Mr Hashimoto, meanwhile, is up against the possibility that the Japanese economy is falling into recession, a situation which has undermined his political standing.

The two sides agreed to expand economic co-operation. Programmes that they agreed to implement include a business training programme, a programme to encourage Japanese investment in Russia, and an agreement to swap cuts in greenhouse gas emissions. Japan also offered to help

Russia improve market-opening measures to qualify for membership of the World Trade Organisation.

There was, however, no breakthrough on the disputed northern islands, which have been an obstacle to better bilateral ties since the second world war.

At their previous unofficial meeting in the Siberian town of Krasnoyarsk, Mr Yeltsin surprised Japan by proposing the two countries work towards concluding a peace treaty by 2000 on the basis of an understanding that the four islands, the Kuriles, belong to Japan.

Hashimoto (left) and Yeltsin in Kawana, Japan, at the weekend. AP

US throws its weight behind Cambodia poll

By William Barnes in Bangkok

The US yesterday joined other western Friends of Cambodia countries in supporting the Phnom Penh government's plan to hold a general election on July 28 - despite the documented killing of some 100 opposition supporters since last year's bloody coup.

The group - it includes Japan, the European Union and Australia - said there had been marked progress in the ability of all political parties to freely participate in the electoral process.

Washington is now expected to donate up to \$7m to help private agencies support and monitor the vote.

The US has lagged behind the EU and Japan in offering to help fund the election.

But grave doubts remain about participating in a dubious election that Cambodia's strongman, Hun Sen, hopes will give international legitimacy to rule by his Cambodian People's party.

Bill Richardson, US ambassador to the United

Nations, said after the Bangkok meeting that his country was very concerned about human rights abuses and the ruling party's control of the media.

"We are not out of the woods yet," said Mr Richardson.

Prince Norodom Ranariddh's FUNCINPEC party won elections in 1993 but was forced, by the better armed Hun Sen, into an awkward power sharing arrangement that was finally smashed last July.

The vital progress that has allowed the US cautiously to support the election was last month's brief return to Cambodia by the former first prime minister, Prince Ranariddh, for the first time since the coup.

The UN special representative for human rights in Cambodia, Thomas Hammarberg, warned earlier this month that it would take a dramatic improvement in the human rights situation for free and fair elections to take place.

Philippine city plans \$600m tender issues

By Justin Marozzi in Cebu

Cebu, the booming southern Philippines city, plans to issue tenders in July for an ambitious \$600m waterfront development designed to emulate San Francisco's Fisherman's Wharf.

Miguel Lucero, executive director of the Cebu City Waterfront Commission, said companies from Singapore, Malaysia, Belgium, the Netherlands and the Philippines had expressed interest in the built-operate-transfer contracts for the construction of a \$10m fast-ferry terminal and a \$10m boardwalk.

Mr Lucero said the Asian crisis has not affected sentiment for the Waterfront Development, which is seen as a 5-10 year undertaking. "For a while we thought investor confidence would be dampened, but in fact the opposite was true. There has been no shortage in companies coming forward," he said.

In partnership with the private sector, the city, which is the fastest growing in the country, has already started work on redevelopment of 37 hectares of economically moribund downtown waterfront. The fast-ferry terminal is intended to boost the city's communications infrastructure, while the boardwalk, which will house 40 shops and restaurants, is designed to appeal to the growing number of Philippine and foreign tourists.

The city's six ferry operators deliver about 8,000 Filipino commuters daily, a figure it is believed it can raise to 10,000 to 12,000 with improved vessels.

Foreign and local investors will also be invited to bid for projects worth \$40m - including construction of a monorail system and high-rise parking facilities, as well as a land reclamation project, a convention centre, planetarium, aquarium and maritime museum. The city also plans to construct a \$40m coastal expressway to relieve traffic congestion in the area.

NEWS DIGEST

PAKISTAN POWER SECTOR

President signs new law to combat corruption

Pakistan's President Rafiq Tarar has signed a tough new law to combat corrupt business practices. The law is widely regarded as aimed at private power companies.

It allows a maximum seven-year prison term for businessmen found guilty of bribing officials. It follows recent threats by officials and government ministers that they could investigate contracts signed with private investors under a 1994 power policy if evidence of corruption was found.

The government says that the tariff offered to the private power companies is exorbitant. Some officials have also criticised the tariffs given to the Hub power company and Kot Addu power company, although their terms were not negotiated under the 1994 policy. National Power of the UK has invested in both projects. Farhan Bokhari, Islamabad

NEPAL HYDROPOWER PROJECT

Enron asked not to withdraw

Nepal will ask Enron of the US to reconsider its decision to withdraw its application to build a hydropower plant in the Himalayan kingdom, the finance minister, Ram Sharan Mahat, said yesterday. Last week, Enron Renewable Energy withdrew its application to build a dam on the Kamali river in west Nepal to produce a maximum of 10,800 MW of hydropower for export to India and China.

Officials said the Houston-based company had pulled out of the project after reviewing the "power and financial markets". Enron said on April 14 that the project was withdrawn mainly because of uncertainty in "selling a large block of power to a market outside Nepal". Reuters, Kathmandu

HONG KONG CORPORATE COLLAPSE

Banker extradited from Britain

A former Hong Kong banker linked to the territory's biggest corporate collapse was extradited from Britain at the weekend, the government said. The return of Ewan Laurier - who had argued that he would not receive a fair trial in Hong Kong after China resumed sovereignty in June last year - ties up one of the remaining loose ends in the scandal of the Carrian group, which collapsed in late 1993 with an estimated net debt of US\$1bn.

Hong Kong's anti-corruption body wanted Mr Laurier, 61 and former chief executive of Wardley (now HSBC Investment Banking), on corruption charges involving more than HK\$40m (US\$5.4m). He was alleged to have accepted bribes in return for showing favour in making loans to the Carrian and Eca groups of companies.

The collapse of Carrian and a series of related murders shook Hong Kong in 1993, but it was only in 1995 that George Tan, the Malaysian-born tycoon behind the property conglomerate, was sentenced on fraud charges involving US\$238m against Bumiputra Malaysia Finance and parent Bank Bumiputra Malaysia. Louise Lucas, Hong Kong

Regional fall-out pushes Vietnam closer to balance of payments crisis

Capital inflows have fallen and competition from low-cost manufacturing bases will hit exports. Jeremy Grant reports

When a spate of mysterious razor blade attacks on schoolchildren set parents' nerves jangling in Hanoi recently, Communist party censors swung into action.

Worried that the reports trickling from the local to the foreign media could damage Vietnam's image abroad, they stifled coverage.

The same reflex has been applied to the impact of the Asian financial crisis on Vietnam's frail economy. In recent months, state-run media have barely mentioned it.

But economists say that beneath the veil of censorship, there is growing concern that Vietnam could be sliding towards a balance of payments crisis, spurred on by the regional fall-out.

"It has only just started for Vietnam. There's a lot of pressure," said Le Dang Donah, economist at the Central Institute for Economic Management, a government think tank.

That pressure is being felt on all fronts, even though the country is cushioned by the lack of a stock market and its use of a non-convertible currency.

Capital inflows have fallen as the regional downturn has hit sales of textiles and shoes, key manufacturing exports. Competition from low-cost manufacturing bases in the region is expected to hit exports harder in coming months.

Rice sales remain buoyant but exports of other big

earners - crude oil, coffee and rubber - have slipped in the first quarter.

Disbursement of foreign investment is set to drop in coming months as investors from Asia fail to follow up on pledges and others scale back existing projects.

In Hanoi, construction cranes have been hanging motionless over half-completed hotels for months.

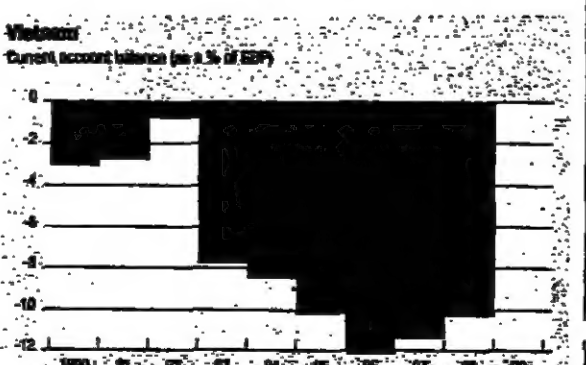
Foreign exchange reserves, already under pressure from a slew of short-term trade debts chalked up last year, have dwindled to about seven to eight weeks' worth of import cover. This worries bankers given the burden of servicing an external debt of about \$10bn, or 65 per cent of gross domestic product.

The question is: How long can Vietnam continue financing itself without having to seek external aid?

Hanoi's response so far could be summed up by a local proverb: "Don't jump until the flood water starts lapping at your feet."

Instead of committing itself to deep structural reforms urged by the International Monetary Fund, World Bank and Asian Development Bank - which would release \$500m in balance of payments support - Hanoi has slapped bans on imports in a bid to stem hard-currency outflows.

This has cut the first-quarter trade deficit by 40 per cent but has starved state coffers of tariff revenue. And, economists point out,



the deficit is certain to worsen again without efforts to tackle distortions in the trade regime.

"Unless they go in for commercial borrowing on a significant scale the only way they can fix it is by compressing imports. But sooner or later the fiscal situation will become unbearable," said one senior western economist.

The irony is that the informal economy is awash with cash. Official estimates put the amount of hard currency outside the banking system at about \$8bn. But recent efforts by Hanoi to coax money into the banks have met with limited success, as popular trust in the system is low.

To make matters worse, relations appear to be souring between the IMF and the Communist leadership for the first time since links were established in 1993.

Both sides have been locked in a stand-off since early this year, when the IMF said that funding

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Formosa Chemical & Fibre Corporation
 ("FCFC")
 (Incorporated in Taiwan, Republic of China)
 US\$250,000,000
 1 3/4% per cent Convertible Bonds due 2001
 (Collectively, the "Company")

This notice is to inform Bondholders that each of the Companies, pursuant to the laws of R.O.C. and the terms and conditions in the Offering Circular and Indenture, will close their stock transfer books and will suspend the Bondholders' Conversion Rights during the periods specified as below due to the Company's Annual General Meeting of Shareholders to be held on May 22, 1998 for Nan Ya and June 12, 1998 for FCFC.

Nan Ya Plastics Corporation: On and from April 23, 1998 to May 22, 1998
 Formosa Chemical & Fibre Corporation: On and from May 13, 1998 to June 12, 1998

Information regarding the exact Consolidation Dates, the applicable Conversion Prices, and the approximate dates for investors to receive common shares in exchange for Bondholders' Certificates will be published in due course after determined in the Shareholder Meetings.

Bondholders should also consult the terms and conditions in the Offering Circular and the Indenture for more details of the conversion.

CITIBANK NAN YA PLASTICS CORPORATION
 FORMOSA CHEMICAL & FIBRE CORPORATION
 By: CITIBANK N.A., Principal Conversion Agent
 Dated: April 20, 1998

ADDITIONAL INTEREST STATEMENT

Disney Enterprises, Inc. (formerly The Walt Disney Company)*

U.S. \$400,000,000

Senior Participating Notes Due 1999

1. Supplemental Statement: Dated: April 20, 1998 for the period from September 1, 1997 to February 28, 1998 (the "Period")

2. Annual Statement

Pursuant to the terms of the above-referenced Notes, this Additional Interest Statement (the "Statement") is being furnished to Holders of such Notes of Disney Enterprises, Inc. (formerly The Walt Disney Company) (the "Company"). Capitalized terms used in this Statement have the meanings ascribed to them in the Notes and the Fiscal Agency Agreement, dated as of October 1, 1992, between the Company and Citicorp, N.A., as Fiscal Agent, Principal Paying Agent, Transfer Agent and Registrar. The information contained in this Statement is given for both the period covered by this Statement (indicated by the box checked above) and for the period from October 20, 1992, the date of issuance of the Notes (the "Issue Date"), through the end of the Period covered by this Statement.

If this is an Annual Statement, this Statement is also accompanied by a descriptive report discussing the activity and assets of Eligible Films. Copies of such descriptive report can be obtained by Holders of the Notes upon request to the Fiscal Agent at the following address and telephone number: Citicorp, N.A., 111 Wall Street, 5th Floor, New York, New York 10043; Attention: Corporate Trust Department; telephone: (212) 657-8096. If this statement is an Annual Statement, it is also accompanied by a Supplemental Audit Report of the Company's independent public accountants. In this Statement, references to "S" are to United States dollars.

1. Names of Eligible Films included in the Portfolio:

A. For the Period: B. From the Issue Date through end of Period:

For the Period:	From the Issue Date through end of Period:
1. The Muppet Christmas Carol	My Neighbor Totoro
2. The Muppet Movie	The Joy Luck Club
3. The Muppet Show	Money for Nothing
4. The Muppet Show: The Movie	Coal Miners
5. The Muppet Show: The Movie	Three Men and a Cradle
6. The Muppet Show: The Movie	Sister Act 2
7. The Muppet Show: The Movie	Caddyshack
8. The Muppet Show: The Movie	Noni

2. Names of short subjects in which any portion of Total Revenues has been allocated:

A. For the Period: B. From the Issue Date through end of Period:

For the Period:	From the Issue Date through end of Period:
1. The Muppet Show	My Neighbor Totoro
2. The Muppet Show	The Joy Luck Club
3. The Muppet Show	Money for Nothing
4. The Muppet Show	Coal Miners
5. The Muppet Show	Three Men and a Cradle
6. The Muppet Show	Sister Act 2
7. The Muppet Show	Caddyshack
8. The Muppet Show	Noni

3. Aggregate Negative Costs of Eligible Films in the Portfolio:

4. The Portfolio Assets:

5. Aggregate Domestic Theatrical Revenues of Eligible Films in the Portfolio:

6. Calculation of Contingent Interest:

Total Revenues

Distribution Fees @ 17.5%

Estimated Third Party Participation Payments

Residuals

Short Subject Revenues

Eligible Film Revenues

Share Amount

Eligible Film Revenues in Excess of Share Amount

Contingent Interest

7. Contingent Interest paid per \$1,000 principal of Notes

8. Domestic Theatrical Revenues of Eligible Films in the Portfolio are adjusted on a pro rata basis to the same manner as Eligible Film Revenues are pro-rated pursuant to the Notes.

9. Actual Third Party Participation Payments are used with respect to the First Interest Payment.

10. Supplemental Interest

11. Supplemental Interest paid per \$1,000 principal amount of Notes

12. Provisional Interest

13. Provisional Interest paid per \$1,000 principal amount of Notes

If this Statement is an Annual Statement, the Company has indicated below whether any default by the Company in the performance and observance of its obligations under the Notes or the Fiscal Agency Agreement has occurred and/or is continuing.

14. No Default

15. Yes, Description:

Disney Enterprises, Inc.

(formerly known as The Walt Disney Co.)

By: /s/ Ingrid McConnell

Title: Director, Corporate Finance

On February 9, 1998, Disney Enterprises, Inc. (formerly known as The Walt Disney Company) (the "Company") acquired Capital Cities/ABC, Inc. ("Capital Cities"). As a result of this acquisition, the Company was renamed Disney Enterprises, Inc. and became a wholly owned subsidiary of a new holding company named The Walt Disney Company. Accordingly, the above-referenced Notes are securities of Disney Enterprises, Inc.

البيان المالي

US summit

[illegible]

lengthen ties



... ..

NO. 100

KUJSTAN POWER SECTOR

**President signs new law
to combat corruption**

1. *Phragmites australis* (Cav.) Trin. ex Steud. (Common reed)
 2. *Scirpus americanus* L. (Nodding reed)
 3. *Scirpus setaceus* L. (Nodding reed)
 4. *Scirpus tabernaemontani* (Cav.) Trin. ex Steud. (Nodding reed)
 5. *Scirpus torreyana* (Cav.) Trin. ex Steud. (Nodding reed)
 6. *Scirpus yagara* (Cav.) Trin. ex Steud. (Nodding reed)
 7. *Scirpus yagara* (Cav.) Trin. ex Steud. (Nodding reed)
 8. *Scirpus yagara* (Cav.) Trin. ex Steud. (Nodding reed)
 9. *Scirpus yagara* (Cav.) Trin. ex Steud. (Nodding reed)
 10. *Scirpus yagara* (Cav.) Trin. ex Steud. (Nodding reed)

NEPA HYDROPOWER PROJECT

Iron asked not to withdraw

1. **Identify the problem.** The first step is to identify the problem. This involves understanding the symptoms and the context in which they are occurring.

2. **Define the problem.** Once the problem is identified, it needs to be defined in clear, specific terms. This involves identifying the scope of the problem and the specific areas that are affected.

3. **Generate hypotheses.** The next step is to generate hypotheses about the causes of the problem. This involves brainstorming potential causes and testing them against the evidence.

4. **Test the hypotheses.** Once hypotheses have been generated, they need to be tested. This involves gathering data and analyzing it to see if it supports or refutes the hypotheses.

5. **Draw conclusions.** Finally, once the hypotheses have been tested, conclusions need to be drawn. This involves summarizing the findings and identifying the most likely cause of the problem.

6. **Implement solutions.** Once the cause of the problem has been identified, solutions need to be implemented. This involves developing a plan of action and putting it into practice.

7. **Evaluate the results.** Finally, once solutions have been implemented, the results need to be evaluated. This involves monitoring the situation and seeing if the problem has been resolved.

8. **Reflect on the process.** Finally, it's important to reflect on the process. This involves thinking about what worked well and what could be improved for next time.

9. **Communicate the findings.** Finally, the findings need to be communicated. This involves sharing the results with others who may be affected by the problem.

10. **Follow up.** Finally, it's important to follow up. This involves checking back in on the situation to see if the problem has been resolved and if the solutions are still working.

11. **Learn from the experience.** Finally, it's important to learn from the experience. This involves reflecting on what was learned and applying it to future problems.

12. **Share the knowledge.** Finally, the knowledge gained from the experience should be shared with others. This involves writing up the findings and sharing them with colleagues or students.

13. **Stay informed.** Finally, it's important to stay informed. This involves keeping up to date on the latest research and developments in the field.

14. **Be open to new ideas.** Finally, it's important to be open to new ideas. This involves being willing to consider different perspectives and approaches.

15. **Be persistent.** Finally, it's important to be persistent. This involves not giving up when things get difficult and continuing to work on the problem until it is resolved.

16. **Be patient.** Finally, it's important to be patient. This involves understanding that solving a problem can take time and not getting discouraged if it doesn't happen immediately.

17. **Be flexible.** Finally, it's important to be flexible. This involves being willing to change course if it becomes clear that the current approach is not working.

18. **Be creative.** Finally, it's important to be creative. This involves thinking outside the box and coming up with new and innovative solutions.

19. **Be collaborative.** Finally, it's important to be collaborative. This involves working with others and sharing ideas and resources.

20. **Be proactive.** Finally, it's important to be proactive. This involves identifying potential problems before they occur and taking steps to prevent them.

21. **Be organized.** Finally, it's important to be organized. This involves keeping track of the progress of the problem-solving process and ensuring that all steps are completed.

22. **Be detail-oriented.** Finally, it's important to be detail-oriented. This involves paying attention to the specifics of the problem and ensuring that all relevant information is considered.

23. **Be thorough.** Finally, it's important to be thorough. This involves making sure that all aspects of the problem are covered and that all possible causes are considered.

24. **Be systematic.** Finally, it's important to be systematic. This involves following a clear, step-by-step process and ensuring that nothing is overlooked.

25. **Be consistent.** Finally, it's important to be consistent. This involves sticking to the plan and not getting sidetracked by distractions.

26. **Be focused.** Finally, it's important to be focused. This involves concentrating on the task at hand and not letting other concerns distract from the problem-solving process.

27. **Be disciplined.** Finally, it's important to be disciplined. This involves following the rules and guidelines that have been established and not making excuses for not doing so.

28. **Be responsible.** Finally, it's important to be responsible. This involves taking ownership of the problem and ensuring that it is resolved.

29. **Be accountable.** Finally, it's important to be accountable. This involves being able to explain the actions taken and the results achieved.

30. **Be honest.** Finally, it's important to be honest. This involves admitting when you are wrong and not trying to cover up mistakes.

31. **Be transparent.** Finally, it's important to be transparent. This involves sharing information openly and honestly and not hiding anything.

32. **Be communicative.** Finally, it's important to be communicative. This involves expressing thoughts and feelings clearly and effectively.

33. **Be assertive.** Finally, it's important to be assertive. This involves standing up for your rights and expressing your opinions confidently.

34. **Be confident.** Finally, it's important to be confident. This involves believing in your abilities and having faith in the process.

35. **Be optimistic.** Finally, it's important to be optimistic. This involves seeing the positive side of things and believing that a solution will be found.

36. **Be resilient.** Finally, it's important to be resilient. This involves being able to bounce back from setbacks and not giving up when things get tough.

37. **Be adaptable.** Finally, it's important to be adaptable. This involves being able to change and adjust to new circumstances.

38. **Be flexible.** Finally, it's important to be flexible. This involves being able to change and adjust to new circumstances.

39. **Be open-minded.** Finally, it's important to be open-minded. This involves being willing to consider different perspectives and ideas.

40. **Be curious.** Finally, it's important to be curious. This involves asking questions and seeking out new information.

41. **Be inquisitive.** Finally, it's important to be inquisitive. This involves asking questions and seeking out new information.

42. **Be observant.** Finally, it's important to be observant. This involves paying attention to the details of the situation and noticing things that others might miss.

43. **Be attentive.** Finally, it's important to be attentive. This involves listening carefully to what others are saying and paying attention to their body language.

44. **Be empathetic.** Finally, it's important to be empathetic. This involves understanding and sharing the feelings of others.

45. **Be compassionate.** Finally, it's important to be compassionate. This involves showing kindness and concern for others.

46. **Be understanding.** Finally, it's important to be understanding. This involves recognizing that everyone has their own struggles and challenges.

47. **Be tolerant.** Finally, it's important to be tolerant. This involves accepting differences and not judging others based on their appearance or background.

48. **Be respectful.** Finally, it's important to be respectful. This involves treating others with dignity and respect.

49. **Be polite.** Finally, it's important to be polite. This involves using proper manners and being courteous to others.

50. **Be courteous.** Finally, it's important to be courteous. This involves being polite and respectful to others.

51. **Be kind.** Finally, it's important to be kind. This involves showing compassion and understanding for others.

52. **Be generous.** Finally, it's important to be generous. This involves sharing resources and helping others in need.

53. **Be helpful.** Finally, it's important to be helpful. This involves offering assistance and support to others.

54. **Be supportive.** Finally, it's important to be supportive. This involves encouraging others and helping them to achieve their goals.

55. **Be encouraging.** Finally, it's important to be encouraging. This involves giving others the confidence and motivation they need to succeed.

56. **Be motivating.** Finally, it's important to be motivating. This involves inspiring others and helping them to see the value in their work.

57. **Be inspiring.** Finally, it's important to be inspiring. This involves showing others that it is possible to achieve their dreams.

58. **Be uplifting.** Finally, it's important to be uplifting. This involves bringing joy and happiness to others.

59. **Be positive.** Finally, it's important to be positive. This involves seeing the good in every situation and not letting negative thoughts take over.

60. **Be optimistic.** Finally, it's important to be optimistic. This involves believing that the future is bright and that everything will work out in the end.

61. **Be hopeful.** Finally, it's important to be hopeful. This involves having faith that a better future is ahead.

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REVENUE RECEIPTS COMPLETE COLLAPSE

Banker extradited from Brit

1. Background - The United States is a democratic country with a free market economy. It is a member of the NATO and the OECD. It has a high level of economic development and a high level of social welfare. It is a major power in the world and has a large influence on the international scene.

THE NATIONAL ASSOCIATION OF
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OF THE UNITED STATES OF AMERICA
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INTERNATIONAL

DONOR PRESSURE DIESEL-FIRED POWER STATION PLAN FALLS FOUL OF WORRIES FOR OFFSHORE GAS SCHEME

Tanzania cancels Malaysian deal

By Michaela Wong and Michael Holman

The Tanzanian government has succumbed to donor pressure and challenged the terms of a controversial Malaysian power contract which jeopardised the country's \$350m Songo Songo gas project and threatened to derail its structural adjustment programme.

Diplomats in Dar es-Salaam reported over the weekend that a seven-member Malaysian delegation representing Independent Power Tanzania (IPTL) power scheme were served with a deportation order after attempts to renegotiate the \$183m deal failed.

The breakdown came after months of unprecedented pressure from the World Bank, International Monetary Fund and bilateral donors who demanded that President Benjamin Mkapa's administration either renegotiate or cancel the project.

The diplomats said that after three days of fruitless talks with the Malaysians, the Tanzanian government

had decided to default on the contract, possible penalties notwithstanding, and take the matter to international arbitration if necessary.

There was no immediate government comment. Controversy has surrounded IPTL since it became clear that if pushed

100MW diesel plant locked the government into buying all the electricity it produced in spite of the fact that, per kilowatt, it would cost 2% times more than power due to be supplied by Songo Songo.

The Tanzanian ministry of energy justified the IPTL

What aroused the suspicion of the donors was the secrecy surrounding such an important deal in a sector in which the World Bank was heavily involved, and what Bank officials described as "the undue haste" with which it was struck.

The fact that stiff penalties

missed. Suspension of the Funds \$24m structural adjustment facility would in turn have triggered Tanzania's chances of persuading the international community to reschedule its debt.

Caught between its contractual obligations to Malaysia, an important ally, and the possibility of both the cancellation of Songo Songo and the disruption of its structural adjustment programme, Tanzania has opted for the latter.

Diplomats in Dar es-Salaam were yesterday welcoming the decision, however belated, as a triumph of good sense. But some donors also acknowledged that serious damage had been done to Tanzania's investment profile.

"Had it not been for the clout of the Bank and the Fund, there is a real question as to whether the government would have challenged the contract," said an official. "Would-be investors without such heavy-weight partners may think twice before venturing into Tanzania."

The Songo Songo scheme envisages extracting offshore gas to provide a cheap energy source to be exploited by first Tanzania and, eventually, its neighbours

through, it could lead to the cancellation of one of East Africa's most ambitious investments. Backed by the World Bank, Britain's Commonwealth Development Corporation and the European Investment Bank, the Songo Songo scheme envisages extracting offshore gas to provide a cheap energy source to be exploited by first Tanzania and, eventually, its neighbours.

Late last year, donors discovered that the terms for the construction of IPTLs

deal on the grounds that it was signed in 1995 following a prolonged drought that reduced output from the country's power plants. It said Songo Songo's commissioning was behind schedule at the time and an alternative was urgently needed.

But local experts said Tanesco, the cash-strapped power parastatal, would be unable to honour its contracts with both power schemes, which committed it to paying out a total of \$11m a month in revenue.

were built into the IPTL contract in case of either renegotiation or default also led donors to challenge an expensive project conceived under what donor representatives called questionable circumstances.

The World Bank had threatened not to conclude a \$200m loan to Songo Songo and the International Monetary Fund warned that if IPTL went ahead Tanesco's tariffs were in danger of rising so high that macroeconomic targets would be

Jakarta blames speculators for crisis

By Laura Silber in New York

Indonesia at the weekend blamed financial speculators and hedge funds for part of its financial woes and said east Asian banks should reform to make better use of international financial resources.

Faud Bawazier, Indonesia's finance minister, on Saturday said that currency speculators had helped to ignite the Asian financial crisis.

He was speaking at a UN meeting called to promote financial stability by co-ordinating policies of government, the United Nations and international financial institutions such as the International Monetary Fund.

Opening the special session of the UN Economic and Social Council, Kofi Annan,



Kofi Annan: 'Macro-aggregates do not capture the trauma'

UN secretary general, earlier warned that economic indicators did not reflect the trauma people suffer during

a financial crisis and called for efforts to diminish its impact.

"Macro-aggregates do not capture the trauma that individuals and families have to undergo as a result of a crisis of this nature," he said.

Anwar Ibrahim, the Malaysian finance minister, said the recent Asian financial crisis had wrenched the region "from paradise to inferno in a matter of months".

"It's unfair, it's all together unjust simply to blame governments... for the crisis," he said.

Mr Anwar said that the "international financial architecture" was as responsible for the crisis as national government.

"If the fundamental flaws in the global financial system - such as the unpredictability of the international

capital markets and the systemic fragility of the international monetary system - are not remedied soon, the world is headed for a series of financial convulsions of increasing severity," said Mr Anwar.

Mr Faud said: "International market players, it seems to me, must bear part of the blame for the financial crisis that has swept over Asia, because they poorly evaluated both the long-term economic returns of the projects they were funding and short-term stability of a region swamped in short-term lending."

Speaking one day after reaffirming Indonesia's commitment to reforms that were agreed with the IMF as part of a \$43bn international aid package, he said international financial resources could be used productively "if our financial institutions

are managed such that allocation decisions are made on the basis of economic merit".

Clare Short, British secretary for international development, told the session that "globalisation was not an optional extra", and called for existing international financial institutions to work together instead of competing against one another.

Among the participants at the UN meeting were finance ministers from Algeria, Belgium, Colombia, Morocco, Pakistan and South Africa.

International officials included senior diplomats, Michel Camdessus, the IMF managing director, Sven Sandstrom, the World Bank's managing director, and James Michel, of the Organisation for Economic Co-operation and Development.

Singapore voted favourite airport

International travellers have voted Singapore's Changi their favourite world airport for the second year in a row, but Helsinki's Vantaa is not far behind, Reuters reports from Geneva.

Among airports processing more than 25m passengers annually, Amsterdam's Schiphol emerged top with Orlando in Florida and Atlanta, Georgia, close behind, according to the report. The International Air Transport Association has produced the report, and related findings on airline popularity in the past five years, basing returns on questioning of 78,000 passengers on aircraft and at airports.

Although the full report has not yet been released, a summary of its findings from a survey covering 62 terminals and hubs across the globe was issued by the journal, bi-monthly organ of the Geneva-based Airports Council International.

Because new airports were brought into the survey for 1997, comparisons with past performance were difficult, although Singapore's dominance in perceptions of overall passenger convenience and in separate service areas remained strong.

Over 75 per cent of people questioned in the survey rated Changi's new terminal as "excellent". The Finnish capital's relatively small airport, home base for the national airline, Finnair, but not previously included in the survey, came just ahead of Britain's Manchester, number two in the past.

In fourth place was Australia's Melbourne and in fifth Geneva's Cointrin International airport, fighting hard to retain its role as a hub after the national carrier, Swissair, switched most of its long-haul routes to Zurich at the end of 1996.

The latest survey measured satisfaction of international passengers on a scale of 0-10 across 23 service categories.

Business travel, Page 9

EU boost for oil-for-food scheme in Iraq

By Randa Khalaf in London

A European Union-sponsored conference begins in London today to consider ways of swiftly implementing the United Nations oil-for-food programme in Iraq.

The two-day meeting by the UK presidency of the European Union will express British concern about the plight of the Iraqi people, in spite of a hardline policy towards the Iraqi regime.

The conference has been strongly denounced by Baghdad, Iraq sees the oil-for-food deal, which has been expanded to allow it to sell up to \$6.3bn of oil every six months to buy humanitarian goods, as an effort to alleviate western conscience at the suffering of ordinary Iraqis. Baghdad officials say the oil-for-food deal is a backdoor means of maintaining the crippling sanctions imposed on the country following the 1990 invasion of Kuwait.

UK officials said the conference will be a "brainstorming session" to produce practical recommendations on how donor countries and non-governmental organisations can work to help the UN implement the oil-for-food deal.

The Foreign Office said yesterday the UK would not duplicate or usurp the work of the UN.

While American and British officials accuse Iraq of dragging its feet in implementing the oil-for-food programme, Iraqi officials say the blocking of contracts by the US and UK is to blame for delays in delivery. UN humanitarian officials in Baghdad consider that the complex and bureaucratic system for approving contracts - and some blocking by the US and UK - has created bottlenecks in the working of the oil-for-food deal.

After dispatching a team of experts to Iraq to study the needs of the oil industry and assess Iraqi claims that it cannot produce \$5.3bn

worth of oil every six months, the UN said last week that some \$500m was needed for spare parts and equipment. Even with this amount, however, the experts concluded that Iraq would only be able to export \$3bn worth of oil in six months this year and up to \$4bn next year.

The London conference comes amid signs of renewed tension between the UN and Baghdad. With the UN Security Council getting ready for a review of sanctions at the end of this month, Baghdad is stepping up pressure and warning that it should be rewarded for its co-operation with the UN.

An Iraqi government newspaper said at the weekend that weapons inspectors' visits to presidential sites were not "an open process without a time ceiling". Iraq agreed to open eight presidential sites to inspectors after a deal clinched in February in Baghdad by Kofi Annan, the UN secretary general. The deal, which averted a US- and UK-led military strike on Iraq, made clear that no time limits would be set on inspection.

The Iraqi warning followed a UN weapons inspectors' report last week which said they had made virtually no progress in the past six months in verifying that Baghdad had destroyed the rest of its weapons of mass destruction. William Cohen, US defence secretary, said at the weekend that it was not enough for Iraq to open up its presidential sites for inspection. He said Baghdad had an obligation to prove that it had destroyed all the materials before sanctions could be lifted.

Another assessment by inspectors who visited the presidential sites suggested that Iraq had cleaned up the compounds. Western diplomats now say it is appearing increasingly unlikely that inspectors will find incriminating evidence in the palace sites.

Race for 1999?

With computer systems the world over having to shut down to adjust their dates ready for the year 2000, will banks' business critical operations be ready?

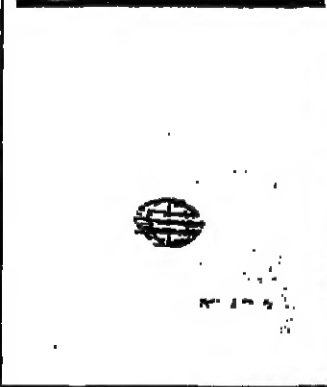
All you need to know is in E BANKER - THE BANKER's special technology supplement featuring a survey of the Top 1000 world banks on the Year 2000 issue.

Regulators have insisted that banks be ready by this date so thorough testing can be fully completed during 1999 before that fateful day.

However according to the results of a survey of the Top 1000 banks published this month in E BANKER, THE BANKER's new technology supplement, many banks' critical systems will not be 100% compliant by 1999.

THE E BANKER SURVEY PROVIDES THE BEST ANALYSIS YET ON THE YEAR 2000 QUESTION - AN ISSUE REVIEWED EVERY MONTH IN THE BANKER

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☐ 2 Yr £340/US\$530 ROW (saving 10%)
☐ 3 Yr UK £226 (saving 20%)
☐ 3 Yr ROW £454/US\$708 (saving 20%)

Name

Job Title

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CONTRACTS & TENDERS



REPUBLIC OF GHANA

DIVESTITURE OF STATE-OWNED ENTERPRISES
STATE INSURANCE COMPANY OF GHANA LIMITED

REQUEST FOR EXPRESSIONS OF INTEREST FROM STRATEGIC INVESTORS

The Divestiture Implementation Committee (DIC), acting on behalf of the Government of Ghana, has appointed Sterling International Group, Inc. as consultants (the "Consultants") to advise in connection with, and ultimately to implement, the divestiture of the State Insurance Company of Ghana Limited (SIC).

ENTERPRISE PROFILE

SIC was set up in 1962 and converted into a limited liability company in August 1995, pursuant to the Statutory Corporations Act of 1993.

The company's principal object is to act as insurers and re-insurers for general types of risk. Currently, SIC underwrites the following classes of insurance business: (a) life insurance; (b) non-life insurance (including motor insurance, marine and aviation insurance and fire insurance); (c) bonds and guarantees for constructional works and other commercial purposes; and (d) re-insurance.

The company's premium income for 1996 was approximately 40 billion cedis*, representing 60.9% overall market share. SIC's market dominance is backed by an extensive marketing and distribution network of 14 area branch offices, 16 contact offices and 200 agents. In the period of 1993-1996, the company's premium income grew at an annual compound rate of 42.6%. The SIC privatization represents an attractive investment opportunity in view of the company's premier market positioning, the upside that will come from future improvement of operational and distribution efficiencies and the continued growth of the industry.

The divestiture of SIC involves (a) the sale of approximately 40% or more of the shares to a Strategic Investor (SI); (b) a further sale of shares to the public; and (c) the listing of the company on the Ghana Stock Exchange (GSE).

LETTERS OF INTEREST

Interested potential strategic investors are hereby invited to submit letters of interest to the Consultants by close of business on Friday May 15th, 1998. Letters should contain:

- Description of the investor's activities;
- Details of ownership structure;
- Experience in managing insurance companies in emerging markets;
- Current information on the investor's financial standing, including disclosure of network; and
- Description of the investor's network of affiliates.

All inquiries and letters of interest should be addressed to:

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Attention: Mr. Roger Janio, Managing Director
 1901 Pennsylvania Avenue, NW
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 Washington, DC 20006 U.S.A.
 Tel: (202) 785 3500 Ext. 301
 Fax: (202) 785 3505
 E-Mail: Rjanio@SterlingUS.com

Strategic African Securities Limited

Attention: Mr. James Akpo, Managing Director
 P.O. Box 16446
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 E-Mail: sasid@nccs.com.gh

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The DIC and Sterling International Group, Inc. reserve the right to extend the deadline for the submission of letters of interest, reject any letter of interest without stating the reasons for doing so, or cancel this invitation.

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NORTHERN IRELAND UK PRIME MINISTER SEEKS TO REASSURE UNIONISTS OVER DECOMMISSIONING FEARS

Blair heads off criticism on arms

By John Murray Brown
in Dublin

Tony Blair, the British prime minister, yesterday sought to reassure sceptical Unionists on the sensitive issue of paramilitary arms, in the wake of Saturday's decisive vote by the party's ruling council to support the Northern Ireland peace deal.

Mr Blair said the peace agreement not only demanded arms decommissioning but also set a time limit.

On Saturday, the ruling council of the Ulster Unionist party, the largest pro-British party in Northern Ireland, voted 540 to 210 in favour of the deal. But party critics complained of the lack of a requirement for the IRA to disarm before Sinn Féin joined a future Northern Ireland government.

Mr Blair said on Sky television that a provision in the agreement meant parties not committed to exclusively peaceful means could be



David Trimble: 'We need to know the terrorist campaign is over, is permanently over.'

removed. He said people had to be clear that what was happening was not a tactical game by the IRA.

David Trimble, the UUP leader, said there would be no unconstructed terrorists at the heart of the administration. He said the prime minister had given an assurance that progress

would have to be made in the first six months of the agreement, and that the transfer of powers from Westminster to make the assembly operational would not take place until the new year. This would give "plenty of time" to deal with the issue.

Without setting decommissioning as a precondition to

the UUP's participation in the government, he said: "We need to know the terrorist campaign is over, is permanently over. That is an absolute and we're not going to fudge this and I don't believe that Tony Blair is going to fudge it either."

His comments came as Gerry Adams, the Sinn Féin

president, told his party's annual conference in Dublin that the IRA remained "intact, strong, undefeated and undefeatable".

However, Martin McGuinness, the party's chief negotiator and usually a hardline voice, conceded that any change in Ulster's constitutional status depended on "the will of the majority in the northern state".

He said it was "a bit like a partner in a relationship saying that the relationship is over, but that he or she is willing to wait until the children are grown up".

Sinn Féin will meet again in the next few weeks, when the leadership is expected to recommend that the party endorse the deal.

But Mr Adams said that while republicans in Northern Ireland might be pragmatic, party members in the Republic could be more sceptical, particularly on proposals to amend the territorial claim to the province in the 1937 Irish constitution.

BT asks rivals on corporate pricing proposals

By Alan Caw

British Telecommunications has taken the unprecedented step of seeking the approval of its principal competitors and biggest customers before introducing an innovative package of price discounts and services.

If the package, called Corporate Advance and set for launch on July 1, is accepted, BT's ability to "tailor" offerings to the needs of customers spending at least \$5m (\$8.4m) annually with the company would be significantly increased.

It would represent a small but significant victory in BT's campaign to secure greater freedom from regulatory constraints in dealing with the large customers that provide the bulk of its revenues and profits.

Competitors, including Cable and Wireless Communications, the second largest UK communications group, Energis, WorldCom and Colt, are evaluating BT's proposals and were not prepared to comment. Some are clearly concerned, however, that although the changes BT is proposing seem innocuous, they could represent the thin end of a wedge through which BT would seek greater freedoms, which could prove detrimental to fair competition.

In a letter sent to customers in March, BT said: "Our vision is to move towards greater pricing flexibility for large customers because only when all suppliers, including BT, offer flexible types of pricing can there be said to be full competition in the UK. Corporate Advance represents a small but important first step towards pricing flexibility."

Under current regulations, BT, as the UK's dominant operator, is forbidden to tailor packages of products, services and prices to specific customers because of fears that it could exploit its ubiquitous position and shut its rivals out of particular markets. It is also forbidden to gross up a company's total spend for discount purposes. Its competitors have these freedoms.

Corporate Advance will offer a 1 per cent discount to business customers spending a total of \$5m with the company, which rises by 0.5 per cent for each additional \$5m to a maximum of 4 per cent. Of the telecoms regulator, said it had been trying to persuade companies to get the best possible deal from BT and was monitoring responses to the scheme.

Brokers caught between two payments

Fees paid by underwriters may lead to conflict of interest, writes Christopher Adams

The disclosure that commercial insurance brokers are receiving payments from underwriters as well as fees or commission agreed with clients raises several issues.

Most important, there is concern that these arrangements may lead to conflicts of interest in primary insurance, brokers are supposed to act for the insured, not the insurer.

Second, in the question of transparency, commercial insurance buyers are entitled to ask for details of the remuneration from underwriters.

Third, for Lloyd's of London, which is dependent on brokers for business, such practices could raise the cost of doing business. Many commercial risk managers could be unaware of the full extent of remuneration, and be upset by it, which suggests rules on disclosure may be inadequate.

Documents obtained by the Financial Times show how commercial insurance brokers are remunerated by underwriters.

A contract between Aon Group, the world's second biggest insurance broker, and an insurer contained details of an "administration and service" fee. This was equivalent to 7.5 per cent



The atrium of Lloyd's of London

of net written premiums. In this instance, where the contract applied to a broad book of business, the insurer also agreed to pay 10 per cent of the portfolio's underwriting profit to the broker.

Another contract, between an insurer and J&H Marsh & McLennan, the world's biggest broker, outlined an agreement under which the broker received payments from the insurer calculated as a percentage share of gross written premiums. These increased along with the volume of business placed with the insurer. If

premiums rose to more than \$500,000, the broker received 7.5 per cent.

Neither agreement concerned business from specific clients. The J&H Marsh & McLennan contract also gave the broker first refusal on arranging any reinsurance the insurer wanted for the original business.

J&H Marsh & McLennan says it received such payments for many years. But some underwriters have protested that brokers are exerting pressure on them to sign contracts in exchange for access to business.

Commercial insurance

buyers are concerned this could lead to conflicts of interest. "It's a question of whether the broker is taking my business to an insurer because it's the best deal for me or because he gets something out of it," said one.

The practice is more common at Lloyd's. One reason may be that consolidation among brokers has concentrated business supply to Lloyd's in fewer hands, giving the brokers greater bargaining power over underwriters. Brokers find it increasingly difficult to grow revenue purely through transactional business.

Aon says it works the other way: a trend among clients to want to pay fees for specific services rather than allow the broker to take a commission has resulted in a dilemma of who should pay for the work brokers carried out for underwriters. It said remuneration from underwriters represented a small proportion of premiums.

Many Lloyd's underwriters have traditionally shared a risk. One effect of extra volume-based remuneration might be to concentrate business on fewer syndicates - the individual business units which underwrite risk. The beneficiaries would be big underwriting groups able to afford the payments and which had the established expertise and capacity to absorb large risks.

Codes of practice that apply to brokers operating at Lloyd's require them to tell clients of any benefits

received while working for them.

Payments made by underwriters, although not illegal, may sometimes fall outside the normal range of commission and be caught by a general principle that brokers should disclose them.

However, a survey of corporate insurance buyers by the Association of Insurance and Risk Managers this month showed fewer than 4 per cent understood the nature of the payments to brokers by underwriters.

J&H Marsh & McLennan, which recently revealed 5 per cent of its broking revenue did not come from the client, says it is "more than happy" to discuss remuneration with customers. He says brokers have invested heavily in technology that has benefited underwriters by increasing efficiency. Such payments had been made to brokers for many years. "If we've reduced the underwriter's costs, we want a share of that. The client shouldn't be paying for technology that's universal to the industry."

Mr Gatewood says dealings with underwriters are kept separate from those with customers. The extra remuneration does not relate to individual customers.

Several big underwriters at Lloyd's dismissed the concern. "We've always paid brokers brokerage and we'll continue to," says John Charman, a leading marine insurance underwriter and chief executive of Charman Underwriting.

UK ECONOMY PERFORMANCE IN THE SPOTLIGHT AS CLUTCH OF IMPORTANT STATISTICS AWAITS PUBLICATION

Week of data set to focus on pace of growth

By Richard Adams
in London

A clutch of important economic data to be released during this week is expected to give a strong indication of the direction in which the UK economy is moving.

An unusual combination of timing means an important piece of economic news will be released each day, beginning with this morning's publication of the government's public sector borrowing requirement for the last financial year.

The two most important pieces of data will be the labour market figures released on Wednesday, and Friday's first estimate of economic growth during the first quarter of this year.

The figures are published at a time of doubt over the pace and direction of the UK economy. Manufacturing and industrial output has been hit by the appreciation of the pound in the past 18 months. This has made

exports more expensive and imported goods cheaper, reducing sales and profit margins for UK companies.

But the services sector - less influenced by currency movements - has shown only a few signs of slowing down, leading some to expect growth during the first three months of this year may have continued to be as strong as last year.

In the fourth quarter of 1997, the economy grew 0.6 per cent compared with the previous quarter - slower than growth during the second and third quarters. But the annual rate of growth of 2.9 per cent in the fourth quarter was still above long-term gross domestic product growth of about 2.25 per cent.

If the first quarter repeats the previous quarter's 0.6 per cent increase, the annual rate will rise to 3 per cent - possibly enough to set off alarm bells in the City. A speeding economy may tip the balance towards those in

favour of raising interest rates on the Bank of England's monetary policy committee.

Analysts will be wary of making too much from growth figures that are often revised. Last quarter's GDP figure was first published as 0.5 per cent, then revised down to 0.4 per cent, before finally being revised up to 0.6 per cent. "The markets may treat this first stab with

a degree of scepticism," said Jonathan Loyne, UK economist at HSBC, which is forecasting 0.6 per cent growth by factor cost.

The MPC may be more concerned about labour market statistics on Wednesday when the Office for National Statistics unveils its new monthly measurement of unemployment.

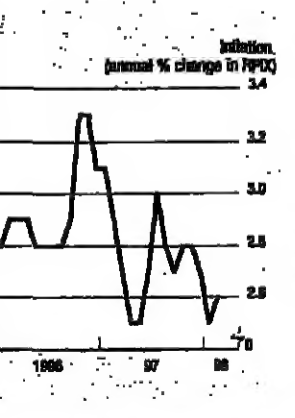
The ONS will publish the on-going results of its



Labour Force Survey. The first effect may increase the headline rate of unemployment - the percentage of the workforce seeking employment was 6.6 per cent in the last survey.

In contrast, just 4.9 per cent were out of work and claiming unemployment benefits in February.

The MPC remains concerned that unemployment is at or below its non-infla-



tionary "natural" rate. If so, then those in work may demand higher wages.

The MPC said in its most recently published minutes: "The committee agreed that the development of the labour market data over the next few months would be especially important to assessing the position of the economy and the inflation outlook."

A sudden rise in average earnings, and the MPC may feel the need to again raise interest rates.

The committee will get an idea of the rate of inflation when the Retail Price Index for March is published tomorrow. Most forecasts are for the annual underlying rate to stay unchanged at 2.6 per cent.

The strength of retail spending is a concern to the Treasury, which is forecasting annual growth of between 3.75 per cent and 4 per cent this year. March's sales figures, released on Thursday, may be distorted by the timing of Easter.

Structure of UK economy 'may hinder Emu entry'

By Richard Adams

The UK may have to wait 15 years before being ready to join the European single currency, the Treasury select committee has been told by an economics think-tank.

A report presented to the select committee by the Centre for Economics and Business Research said the financially-based structure of the UK economy presents fundamental problems in signing up for European economic and monetary union (Emu).

Professor Douglas McWilliams, chief executive of the CEBR, said the UK economy is much more reliant on financial markets and private sector borrowing. "It makes it very difficult to have the same financial policy compared with continental Europe," he said.

One example was in the housing market. "If UK interest rates were to fall to the same rate as in Germany now, the traffic would be stopped by the queues of

people outside banks and building societies wanting to take out bigger mortgages," said Prof McWilliams.

The report said changes such as increasing stamp duty and council tax might reduce the costs to the UK of joining the single currency. The government has said it is in favour of the principle of joining Emu, but only if a series of economic conditions are satisfied.

The CEBR says the UK's economy is far from converging with other members of

the single currency. "This is not simply a matter of a temporarily different cyclical position but of a much more deep-rooted difference in economic structure and cultural attitudes between the UK and continental Europe."

If the UK were to join now, its interest rates would have to be reduced by around four percentage points by the end of this year. The effect of inappropriate monetary policy might eventually knock 2 per cent off output, a loss of around £16bn annually.

Yesterday Adam Turner, director-general of the Confederation of British Industry, said he thought the UK would soon have to address the issue of joining the euro.

But the report warns that staying out of Emu will also hurt the UK. Remaining out of the euro-zone means UK businesses would not participate in the resulting economic restructuring. The loss to UK exports and inward investment might be \$2bn, or 1 per cent of GDP, by 2005.

Yesterday Adam Turner, director-general of the Confederation of British Industry, said he thought the UK would soon have to address the issue of joining the euro.

The implications for the UK of staying out of the Euro Zone, CEBR, 9-12 Basinghall St, London EC2V 5NS. 0171 600 6661.

NEWS DIGEST

TECHNOLOGY

Information service will target financial analysis

Portfolio managers may no longer have to spend a morning trying to stop an unwanted currency report from jamming the fax machine, or ploughing through torrents of brokers' reports for one memo on the UK food packaging sector. Thomson Financial Services, the US financial information services group, has joined forces with former senior directors of Union Bank of Switzerland to develop a service which will help banks and brokers to target their research material and provide clients with tailored research. The group is believed to have made an initial investment of about \$10m in the system, which will enable research departments to reduce production and distribution costs for research products by up to £1m (\$1.67m) a year. Using Web technology, it aims to target and track client product and distribution needs via mail, courier, the internet or other electronic services, improving the flow of research from analyst to client. Emilio Teraszono

INWARD INVESTMENT

Warning on Wales and Scotland

Wales could miss out on 70,000 new jobs over the next 10 years and Scotland 30,000 if direct investment in the UK by Japan and other south-east Asian economies dries up, according to preliminary results of an investigation into inward investment by Business Strategies, the London-based forecasting group. Melanie Lansbury, senior economist, said: "This projection is a worst case scenario. But already we are seeing a number of big investments being postponed - like Hyundai in Scotland, Samsung in the northern region and the LG semiconductor plant in Wales. Investment flows from the Far East economies have all but stopped. The question is: will they start up again?" Brian Groom

UNION RECOGNITION

TUC compromise expected

An effort to reach a compromise settlement over the controversial issue of trade union recognition can be expected after today's emergency meeting of the Trades Union Congress general council. John Monks, the TUC general secretary, will be seeking some latitude in his final bargaining position with the government over the proposed legislation. Union leaders remain committed to the introduction of a law enabling workers to have representation from a union recognised by their employer. But the TUC may be ready to drop its commitment that only a simple majority of those voting in any secret ballot would be needed to win recognition in all circumstances. Robert Taylor

EMPLOYMENT

Airline to create 15,000 jobs

British Airways is to create 15,000 jobs in the next three years. The airline said yesterday that 7,000 of the jobs would be filled over the next 12 months on the back of growing business at Gatwick and Heathrow airports. Most of the jobs, which would be based at the UK's two main airports, will be full-time and for people aged 16 and upwards.

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INSIDE TRACK

PROFILE HEINRICH VON PIERER, CHIEF EXECUTIVE, SIEMENS

A strategist who has everything to play for

Stefan Wagstyl and Graham Bowley on the engineering group boss who believes expansion is good for both workers and shareholders

Heinrich von Pierer, chief executive of Siemens, the electrical engineering group, still believes in one of the oldest principles of German management: that there is no contradiction between the interests of workers and shareholders.

"Only a profitable company can secure jobs," says Mr von Pierer. "Only well-motivated people can earn good profits. These are two sides of the same coin."

But, as he is the first to admit, he is finding it difficult to put this philosophy into practice in the competitive business environment of the 1990s. He often finds himself appearing on the political pages of German newspapers defending the company from workers' criticism while at the same time being quoted on the financial pages explaining the same decisions in terms shareholders will understand. Not for nothing has he earned a reputation as a conciliator and Chancellor Helmut Kohl's favourite manager.

Mr von Pierer, a tall, athletic man who plays tennis "to win", dismisses suggestions that Siemens is reacting too slowly to the fast-moving shifts in the global business environment of the 1990s. "This company has changed more in the last three years than it did in the previous 50 years," he retorts, rattling off figures to back his claims.

He describes the changes he has pushed through Siemens' sprawling empire since taking office in 1993: he has sold businesses with a combined turnover of DM7.5bn (\$4.1bn) and acquired others with total sales of DM13bn. And "this is not the end of the story".

He has closed more than 30 smaller operations and reduced the Siemens workforce by 60,000 to 386,000, strikes and demonstrations notwithstanding. Moreover, many of the cuts have come in

Germany, where business leaders are under political pressure not to upset the economic and social order.

But Mr von Pierer knows he has some way to go before he can claim victory. Satisfying workers and shareholders is hard enough but even more urgent is the need to respond to global competition. Without more profit the company will be unable to finance its international expansion fast enough to keep up with rivals.

Mr von Pierer insists that, in spite of recent setbacks such as the economic crisis in east Asia, he aims to meet his self-imposed

'Only a profitable company can secure jobs... Only well-motivated people can earn good profits. These are two sides of the same coin'

target of return on capital of 15 per cent by 2000. This compares with less than 10 per cent in the year to last September.

Investors are impatient. Although Siemens' share price has doubled in the past five years, it has fallen by nearly 40 per cent against the German market. Swantje Conrad, analyst at J.P. Morgan, the US bank, in London, wants to see more action. "There is currently no evidence that Siemens is actively considering a radical refocusing of the company. There is a significant risk that the degree of restructuring may not go as far as many investors want."

Another analyst says: "We just doubt Siemens management can really prioritise time and allocation of capital among the different groups. If it were split up then management could focus better."

The core of Mr von Pierer's strategy remains the belief that

the Siemens group, with its 16 divisions, is more than the sum of its parts. He does not believe, that the company should, as some analysts have proposed, spin off parts, such as the medical equipment operations, that have required extensive restructuring in recent years. "I believe in the synergies of the group," he says.

Siemens executives argue that, although the group is often seen as a conglomerate, almost all businesses are in electronics or electronics-related equipment, which accounts for a big part of turnover, sales in one division often lead to sales in another, particularly in developing countries. "This is a real strength for us," says Mr von Pierer.

Mr von Pierer concedes that in

the past Siemens has dissipated its strength by spreading itself too thinly. That is the reason for his recent disposals. The company's divisions must be "market leaders", he says, occupying first, second or third place in global markets. Already companies accounting for two-thirds of the group's DM107bn turnover are in such positions. The aim is to raise the proportion to 80 per cent within three years.

Successful divisions are being bolstered by investment and acquisition. In semiconductors, Siemens has spent DM2.5bn on two new chip plants in the UK and the US (the second a joint venture with Motorola). In medical equipment it has backed the development of new forms of ultrasound equipment. In building automation, it has turned a business struggling for market share into a world leader by the DM3bn acquisition of the industrial activities of Switzerland's

Elektrowatt. In power generation, it beat powerful rivals in the race to buy, for \$1.5bn, the generation unit of Westinghouse of the US.

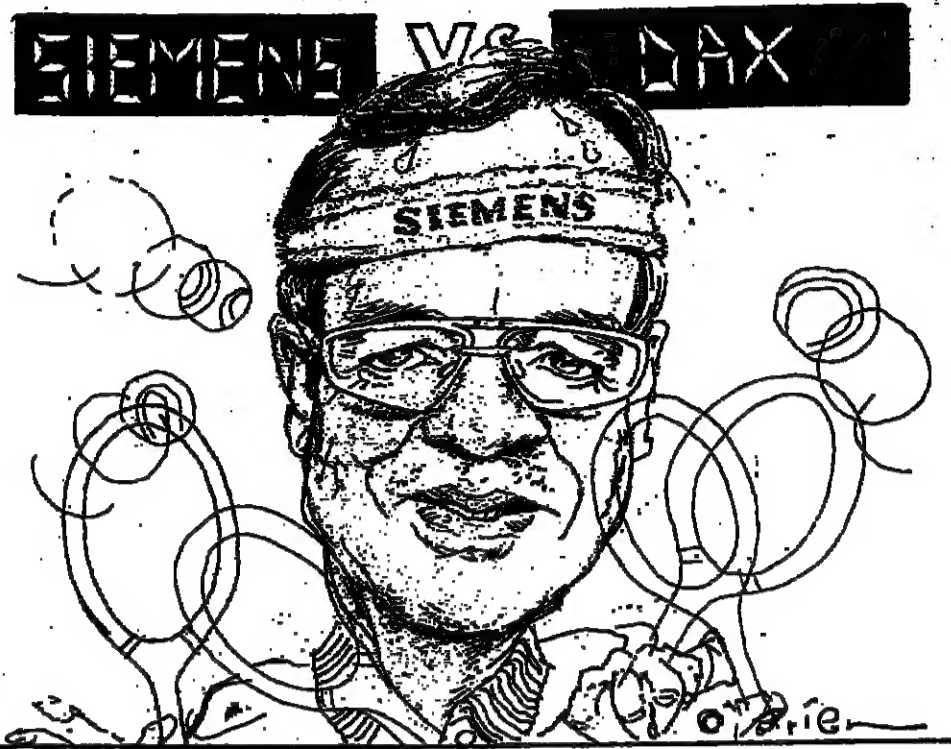
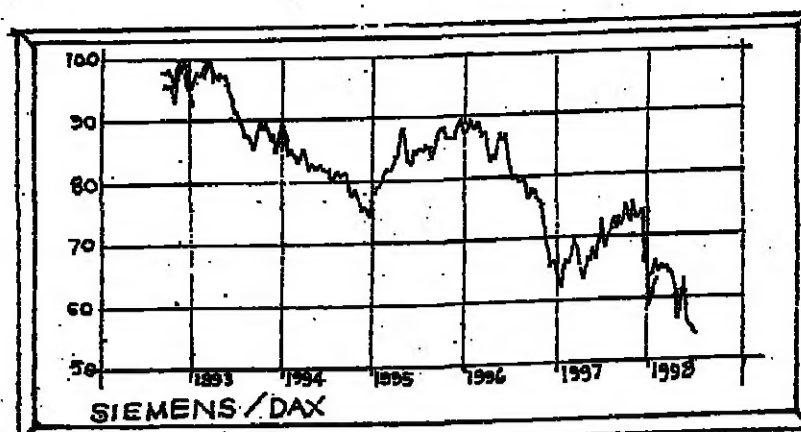
At the same time, Mr von Pierer is trying to reduce Siemens' dependence on Germany, which the company's critics have long seen as a weakness. In the next few years, he wants to reduce Germany's share in group turnover from 35 per cent to 25 per cent. Western Europe as a whole should fall from 65 per cent to 50 per cent, with expansion coming mainly in North and South America, as well as Asia.

Mr von Pierer believes Siemens is more adventurous geographically than its critics recognise. He is irritated by negative comparisons with ABB, the Swedish engineering group, which is often seen as a model of a globalised multinational. "We have more people in Asia than ABB," he says. In Russia the group operates from more locations than any other western company except Coca-Cola.

A crucial challenge is retaining the confidence of the group's German workers, after heavy job losses. No further big reductions are planned, but over the next five years "the tendency will be for further decline", Mr von Pierer says.

The company is also reducing the costs of those it retains, introducing flexible working patterns. With nationwide concern about unemployment, Mr von Pierer finds trade unions more willing to accept plant-by-plant deals. Siemens has recently won from IG Metall, the metalworkers' union, an agreement for flexible working that will reduce costs by up to one-fifth.

He insists the expansion of overseas production should not be seen as a threat to German jobs. Factory posts in China, India, Russia and elsewhere create software engineering posts in Germany, he says. Thus, in Mr von Pierer's view, globalisation is as good for workers as it is for shareholders. The demands of the two sides of industry can be balanced.



THE ESSENTIAL GUIDE TO HEINRICH VON PIERER

Life: Born in Erlangen, Bavaria, January 1941. Studied law and economics in Nuremberg and Erlangen. Joined Siemens' legal department directly after university in 1969. By 1977, he was working in Siemens' power plant division. In 1989, became a member of the main Siemens board. Appointed chief executive in 1992. Training as a lawyer and an economist makes him unusual in a business where the engineer dominates. The first non-technician to head Siemens. Reputation: A man with a formidable contacts book. An establishment figure. Has a reputation as German politicians' favourite manager, close to Chancellor Helmut Kohl, and a regular tennis partner of Gerhard Schröder, Mr Kohl's challenger in the autumn national elections. A conciliator, like Mr Kohl, in the tradition of Germany's consensus system. A family man (he has three children). Dabbled in politics: many years as local politician in Erlangen for the CDU and in 1976 stood (unsuccessfully) for German national parliament. Hobbies: Tennis (was Bavarian youth champion). Boasts that he has never lost a match - although colleagues doubt this is true even when important customers

are on the other side of the net. Skis in Austria, hikes in Switzerland. Occasional visitor to Mr Kohl's holiday retreat. Favourite food: Vanilla ice cream. Way of doing business: "Very customer-orientated. Whenever asked to give a talk, always asks which customers will be there to listen," says one colleague. Known as thorough and disciplined. "Like a teacher. He gets things done. But, less kindly, he is criticised for not making radical changes at Siemens (job cuts because of his friendship with Mr Kohl). Jack Welch famously described Siemens as an employment agency."

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LUCY KELLAWAY

The consultant's tale

A new branch of management training uses the power of storytelling in an effort to improve communication

Once upon a time there was a management consultant. He was a man of talent, with a genius for making companies part with their money. He had a friend, whom he loved dearly. Yet his friend was not happy. He wanted to be a famous writer, but so far had met with nothing but failure.

"Nobody will publish my stories. What shall I do?" he wailed.

"Don't worry," said the consultant. "My clients will buy anything. I'm sure they'll love your stories."

"But your clients are big businesses. What will they want with my ramblings?" "Leave it to me," said the consultant.

I have written this story to share some exciting news: a brand new branch of management training is born. Today and tomorrow a group of business people will gather in a hotel in Bedford (having each paid \$500) for a conference called The Power of Story in Organisations.

They will learn how to tell stories. They will find out how The Body Shop is using stories to make its communications more human. They will learn how stories can help them dream up great visions. They will learn about "the ancient and archetypal wisdom of the story, which can act to bring soul and spirit to impoverished organisational lives".

It strikes me that companies know more than enough about stories already. Think about your average internal memo explaining redundancies or the chairman's statement that accompanies a big drop in earnings. I would agree that organisational lives tend to be impoverished, but that has less to do with ancient wisdom than with the fact that work is dull and colleagues moan all day.

the report in the first place?" asks the questionnaire at the back of the 90-page Partnership Report put out last week by the Co-operative Bank. My motivation was not exactly generous. It was to confirm that this audit of the Co-op's ethics was another case of moral one-upmanship from the Goody-Goody Bank.

The front cover of the report is predictably pc: an identical picture made up mainly of the old, the female and the ethnic. On the back is the news that no trees had been felled to bring us the report: apparently it was printed on 100 per cent recycled paper from post consumer waste (whatever that might be) using a totally chlorine-free process.

But inside these covers I found more to admire than to mock. For years the bank has elected to make morality its unique selling point: this report is an attempt to measure how much it lives up to its fine words. There is information about how much it pays its workers, how many ethnic minority people it employs, who it declines to lend money to, and much, much else besides. Not everything is

positive: the Co-op did not recycle one single tin can last year, whereas NatWest recycled loads.

I could not be less interested in how much recycling the Co-op bank does. Indeed, it is possible that by expending so much effort on trivial details they are distracting attention from issues that really matter. Yet the Co-op and its "partners" apparently care about tin cans: the report contains a commitment to more recycling in future.

A world in which everyone made as much fuss as the Co-op about how good they are, might be a tiresome place to live in. Yet it would be nice if others followed the bank in giving us a few facts to back up the moral claims they make - for instance, people being their most valuable asset - rather than relying on the ancient and archetypal craft of the story.

As I waited for a tube last week to take me to work I found myself face-to-face with Nicola Horlick. Not the real thing, but a giant mug shot on a poster advertising Societe Generale's fund

management arm. The text said that if you put your money with Nicola and her team you would get a First Class Return, which I assume was a clever pun.

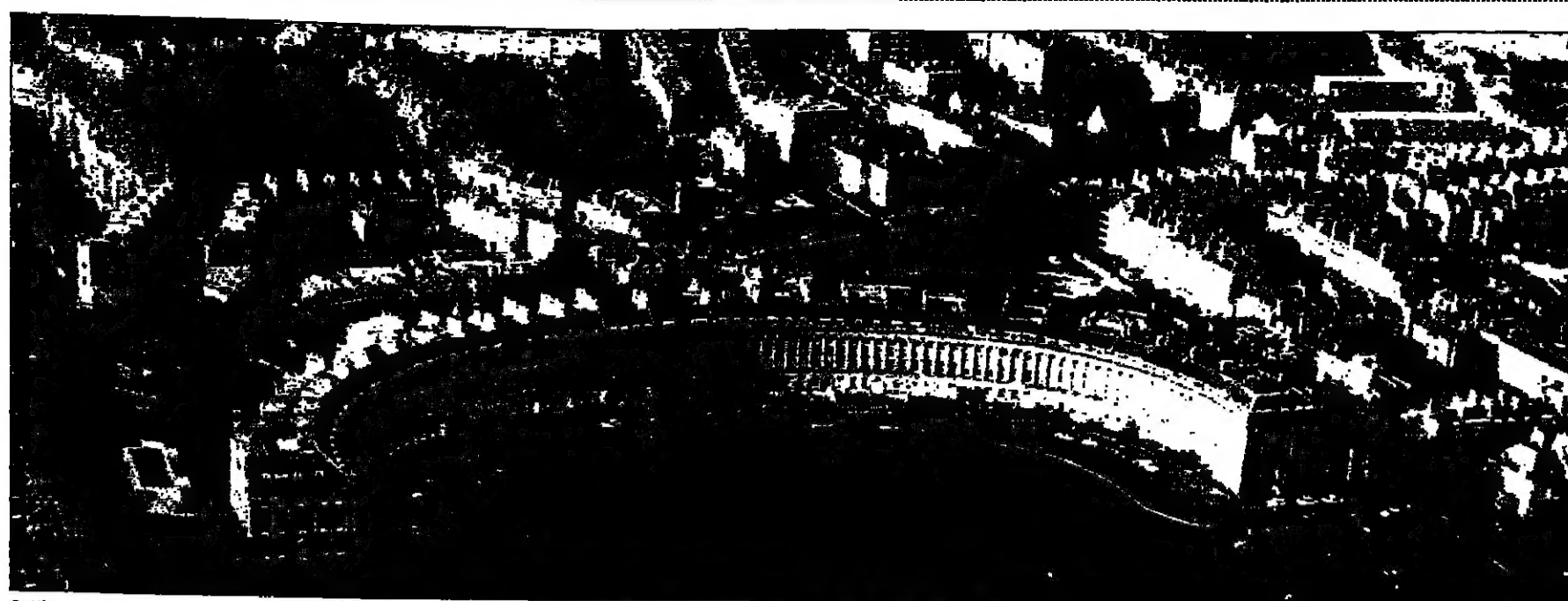
This must be a first: advertising financial services on the basis of the personalities of the fund managers. The norm is to scribble around to find a performance measurement that shows the fund in question to have done better than some index, with the result that all fund management advertisements are boring, and all look the same. Societe Generale's competitors face the problem that there is only one personality in fund management that anyone has heard of, and her name is Nicola Horlick. But they should not despair.

Growing their own personalities is easy. The critical ingredients are a senior woman, a tantrum, more press interviews than hot dinners, and a book telling us all about her.

It doesn't matter how skilful she is at beating the market: what Horlick is really good at is getting new business. This makes the advertisements on the tube somewhat circular: you should give your money to her because she is good at getting your money.



ROGER BENT



Getting away from it all: the Royal Crescent Hotel in Bath's Royal Crescent boasts two boardrooms and is due to open a luxury spa

BUSINESS TRAVEL CONFERENCE VENUES

A lucrative meeting of minds

Upmarket hotels are increasingly willing to turn over their entire premises to companies – for a price. Kate Bevan reports

Cliveden, the Astors' country seat in Buckinghamshire, will always be remembered as the setting for the Profumo affair of the early 1960s. John Profumo, the then war minister, partied by the pool with Christine Keeler, who was simultaneously having an affair with a Soviet attaché, thus compromising western security and leading to Profumo's downfall.

They met through Stephen Ward, an osteopath who rented a cottage on the Cliveden estate from the late Lord Astor. From next month, that cottage will be available to those organising meetings of a rather different nature.

"We don't play it up, but at the same time, we don't play it down, either," says Stuart Johnson, Cliveden's general manager. The renovated Spring Cottage will have two bedrooms and a spectacular meeting room under a gothic domed ceiling, and is the latest move by English hotels eager to grab a slice of the lucrative conference business.

Getting away from the hassles of the office to hold a meeting is increasingly popular. According to a survey by the UK's Meetings Industry Association, 49 per cent of business meetings and conferences are held in country house hotels. The result is that many properties are turning their attention to this sector of the market by upgrading technical facilities and vying to offer the best deals and extras.

For example, the Royal Crescent in Bath, sister hotel to Cliveden, boasts two "boardrooms", for between 10 and 100 delegates, equipped with slide projection and large-screen video screens, dedicated telephone and modem lines and computer presentation facilities. Cliveden offers the same level of technology in its two boardrooms, while the Lygon Arms, a 16th-century inn in the Cotswolds, comes with meeting rooms for up to 80 conference-goers.

As getting away from it all is the object, many also have exclusive meeting space in separate buildings: Rowhill

Grange, a country house hotel on the green Kent outskirts of London, offers its Clockhouse Suite, a self-contained facility converted from an old stable block with its own kitchen, bar, and conference room.

None of this comes cheap. The 24-hour delegate rate at Cliveden is £245, plus VAT, which includes use of the meeting room, a bedroom, meals and use of the leisure facilities; while at the Lygon Arms, a similar package is £185 plus VAT.

Yet particularly for high-level meetings, companies are prepared to pay up, according to Richard Pavitt, a conference and meetings consultant. "They need an atmosphere that stimulates objectives and they choose a place that will help them achieve that," he says.

Some hotels will go even further and turn over the entire property for a meeting. Exclusive use does have logistical problems: "I'm so busy I couldn't guarantee exclusive use of my 30 bedrooms in the near future," says Nigel Young, general manager of Rowhill Grange.

Yet other properties such as the Royal Crescent and Cliveden are happy to devote all their facilities to one group.

At the Royal Crescent, a company can have the run of the 45-bedroom hotel, including the separate Pavilion suite – "companies put the chairman here," remarks general manager Ross Stevenson – for an overnight rate of £14,440 for double occupancy of the rooms, plus an agreed daily spend on food and drink.

Other properties go further still and operate solely as an exclusive-use venue.



Christine Keeler, frequent guest at Cliveden

The Samling at Dovenest is a private house set 200ft above Windermere in the Lake District, offering 10 bedrooms, conference rooms with all the expected high-tech gadgetry and most importantly, a quiet and comfortable place to think important thoughts.

The Samling – the name is an Old Cumbrian word meaning "a place to gather" – is the brainchild of Roger McKechnie, the man who came up with Philias Fogg snacks. With a large cheque in his pocket from the sale of his company to United Biscuits, he noticed the house while sailing on the lake, and spotted its potential as a venue for private meetings.

Hever Castle in Kent, best-known as the childhood home of Henry VIII's second queen, Anne Boleyn, also offers exclusive use. The rather unfortunately named "Tudor Village" may conjure up images of a theme park, but the facilities – at a 24-hour delegate rate of £210 plus VAT – regularly attract international blue-chip oil, utility and chemicals companies. Robert Allton, Tudor Village manager, says the venue hosts about 200 events a year, of which 80 per cent are corporate, ranging from

a small lunch to a four- or five-day meeting. Hever Castle can manage up to 70 delegates at a non-residential meeting, and has 20 bedrooms for up to 36 people for an overnight event. "We've been doing it for 12 years, but I think it's more focused now," says Mr Allton. It's switched away from being a "jolly" in the past five or six years.

Mr Allton says one thing in particular has changed: "There are fewer events that include partners." However, hotels lay on a wide range of extras to keep partners happy. The Royal Crescent has a hot-air balloon and is due to open a luxury spa. Cliveden has two riverboats which will take partners on shopping trips to Marlow – "Bond Street on Thames", as general manager Stuart Johnson calls it – and a purpose-built spa next to the swimming pool. Rowhill Grange also has an on-site spa with beauty treatments, saunas, therapy and swimming pools, while the Lygon Arms has similar spa facilities as well as golf, fishing, and helicopter flights. With frills like that, getting away from the office for a meeting could become even more popular.



Business jet passengers to tune in on board

Live television will soon be available on business jets. Passengers flying over the US will be able to tune into channels including CNN, Bloomberg Television and ESPN Sports.

Kansas-based aircraft manufacturer Cessna will install the relevant technology this month on a Citation X jet due for delivery in October. Two aircraft already in operation have been equipped. Pictures will be picked up by a satellite dish on board. Programming will be provided by DIRECTV, the digital satellite television service, which has also been conducting trials with Delta, the US airline. It is hoped that broadcasts will also be available on flights over Latin America, Europe and Asia.

Delegates told to eat in and pay up

Delegates at UK conferences are being pressed into dining at their hotels because hoteliers are refusing to cut rates for those who eat out. Penny Thomas, of conference reservations specialist Banks Sadler, says: "They are either saying they won't knock anything off at all or only allowing delegates £5 or £10, which hardly covers the price of eating at an outside

restaurant." She reckons 40-50 per cent of hoteliers are resorting to such tactics, reflecting the current heavy demand for facilities, which is also prompting a growing number to insist delegates pay the full room rates.

Tickets bought in UK rise 3%

The price of a business class air ticket bought in the UK rose more rapidly in the first three months of this year than anywhere else in Europe, says American Express in its latest quarterly review of travel costs. The price rose 3 per cent on average, taking the increase over two years to 21 per cent.

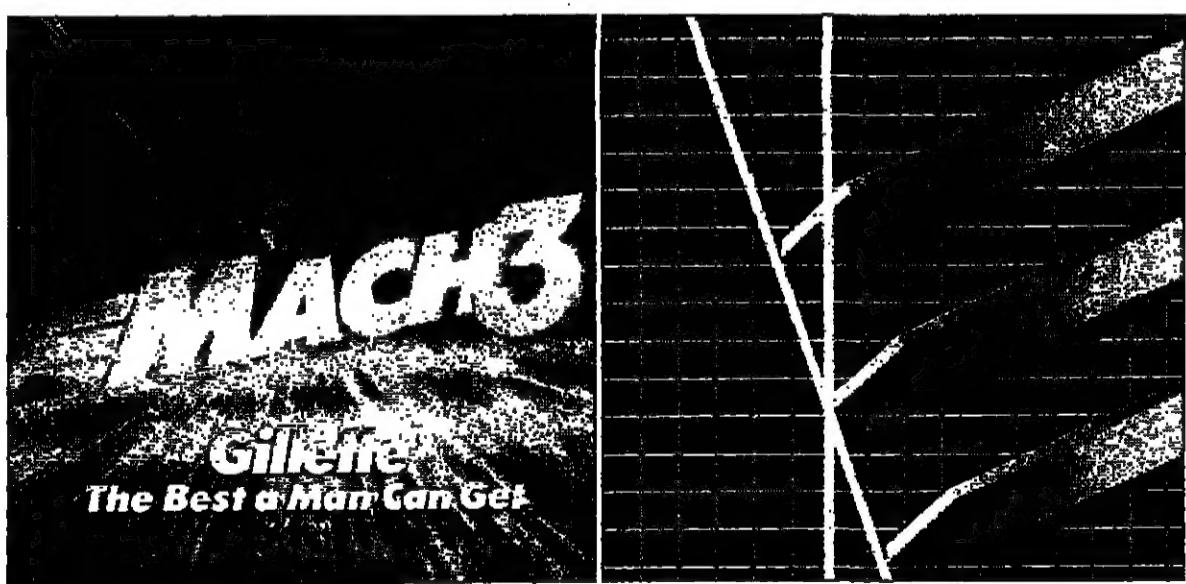
On flights from the UK to North America, Asia and Australia the picture is even more bleak, with a two-year jump of 25 per cent. American Express blames heavy demand and stretched airport capacity. But on routes from the UK to western Europe, where airlines face intensified competition, the average increase was only 12 per cent over two years. Economy and discount leisure fares have hardly moved during that period. German and French business travellers have fared much better. They paid 2 per cent more to fly business class in the first quarter – respectively 9 per cent and 11 per cent more than two years ago.

Roger Bray

Likely weather in the leading business centres

	Mon	Tue	Wed	Thu	Fri
Tokyo	21	23	23	24	25
Hong Kong	20	20	31	30	30
London	14	17	18	18	18
Frankfurt	15	15	17	17	17
New York	17	15	15	17	18
Los Angeles	25	29	24	21	21
Milan	17	19	21	21	21
Paris	14	15	17	18	18
Zurich	15	12	15	17	18

Information supplied by the Met Office



Loud, brash and unmistakable: Gillette has added a third blade to the cartridge of Mach3, its latest wet-shave razor

MARKETING NEW PRODUCT LAUNCHES

At the cutting edge

Innovation and marketing are the key to success for Gillette and its latest razor reflects this formula, says John Willman

In the world of fast-moving consumer goods, innovation has long been recognised as one way of staying ahead of competitors. Another is marketing. Gillette, the US company that dominates the global shaving products market, attempts to combine both.

Last week it announced Mach3, its latest wet-shave razor, which it expects will capture more than a quarter of the market with claims of a closer shave with less skin irritation.

The Boston-based company has invested more than \$1bn (£600m) in the new product, including a \$300m advertising budget for the first year alone.

In return, it hopes to persuade shavers to pay one-third more for their product to maintain double-digit earnings growth.

"The higher price is justified by the performance increment and makes it compatible with Gillette's financial goals," says John Darman, the company's vice-president of male shaving.

Gillette has launched a razor about every nine years since it introduced the first twin-blade razor, Trac II, in 1971. In 1977 the Atra added a pivoting head and in 1980 the Sensor's spring-mounted

blades promised an even closer shave. The Sensor later added rubber microfins to stretch the skin taut.

Sensor produced sales of \$6bn worldwide, selling almost 400m razors and more than 8bn blades. It has helped Gillette establish dominance over the wet-shave market in North America and western Europe, with 70 per cent of sales.

Mach3 adds a third blade to the cartridge, and 35 other features and elements. These include a diamond-like carbon coating on the blades which makes them thinner, and a lubricating strip which deposits vitamin E on the skin and changes colour when empty to remind the shaver to replace the cartridge.

"Each of these is protected by patents, making it next to impossible for competitors to copy," says Bob King, head of the company's North Atlantic group, which covers the US and western Europe.

Gillette has installed a production line to reduce unit costs on its more complex new product. Using advanced robotics, it makes the cartridges in a continuous process similar to that used in bottling soft drinks.

With no stopping and starting, 10 cartridges are made every second, each

checked by computer. Output will be 600m a year from the Boston plant, which will double to 1.2bn when production begins at Gillette's Berlin factory. This will allow Mach3 to be launched in more than 100 markets by the end of next year – a rollout that took more than four years with Sensor.

The company expects Mach3 to attract millions of new users from competitors. But three-quarters of those who buy this latest product will already be Gillette customers – including people using the company's disposable razors.

Pre-launch market research, says the company, shows consumers are willing to pay the \$6.50-£7 price (about \$4) for a razor and two cartridges.

Unlike most other makers of consumer products, Gillette does not withdraw older products when it introduces the latest generation.

"We're still selling brands that are 25 and 15 years old," says Mr Darman. "Mach3 will soon be number one in every market, with a 20-30 per cent share. But Sensor will be the second biggest brand by a large margin."

This approach recognises that many consumers are unwilling to trade up every time Gillette improves the technology. An increasing number of men are described by the company as "high interest users", spending an average of \$75 a year on

shaving tackle, gels and after-shave lotions.

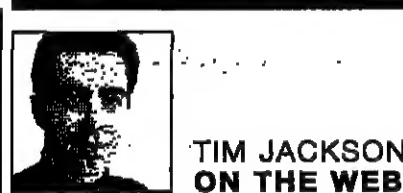
But the typical "low interest user", with a pack of disposables and a can of own-label shaving foam, has to be persuaded to raise his annual spending of \$16.71.

Maintaining older generation equipment also allows the company to lead on different technologies in different markets. On the marketing side, however, the same campaign will be rolled out worldwide.

Devised by advertising agency BBDO, it offers a package of television, radio, print and poster advertisements that all play on the superlative theme in the Mach3 name. Loud, brash and unmistakable, it hammers home the message that the new product breaks through the performance barrier with three sonic booms in the soundtrack.

Gillette says it is also looking at the female shaver. In 1992, it introduced Sensor for Women with a different handle. It would not say last week when its female customers would get a third blade, but promised a new product in due course.

And for the men, work is already under way on the next generation razor. The company aims to maintain its dominance by continuing an innovation strategy that has largely excluded the own-label producers and cut-price copycats that have been so successful in most similar product markets.



TIM JACKSON ON THE WEB

Flying start for ticket bids

PriceLine is spending \$20m to publicise its business, matching unsold airline seats with customers keen on a cheap fare

Not many internet start-ups can boast that their first month's advertising budget is \$20m (£12m). But PriceLine, the "buyer-driven commerce" business launched in Connecticut last Monday, is no ordinary startup.

PriceLine invites air travellers to say where they want to go and when, and to make a binding "bid" on an air ticket using a credit card. This bid is checked against

PriceLine's database, where airlines record what seats they are willing to offer at what prices. If there is a match, PriceLine notifies the customer within an hour that the ticket has been "won".

This may sound similar to the online auctions covered in this column over the past three years. In fact, a story in the business section of the New York Times last week lumped PriceLine in with other auctions. (I should declare an interest here in a European online auction business.)

But PriceLine is different. Instead of operating in a segment ripe for consolidation, such as computer brokerage, PriceLine has chosen an industry where selling the same product to different customers at different prices is already an established principle.

Thanks to computerised reservation systems (CRSs), the average flight across the Atlantic will carry passengers paying 30 or more different prices. So why can't the airlines implement such a system themselves? Jay Walker, founder of PriceLine, offers several reasons. One is that attempts by US airlines at price discrimination remain crude. "Even at a time of all-time high profitability they're still flying with 30 per cent of their capacity unsold. That's 600,000 empty seats a day," says Mr Walker. Another reason is that most CRSs are

dominated by a single carrier or pair of carriers, and are tied firmly into the travel agency distribution system.

By using only the basic database infrastructure and establishing itself as a rival distribution channel, PriceLine saves airlines an average of \$3 per flight or "leg" of a journey in CRS charges and up to 10 per cent of ticket price in agency fees.

Mr Walker, who founded the company two years ago, says it took a year to get airlines to sign up. The biggest obstacle was their worry that the bidding system would lead to cannibalisation of higher fares. The industry's standard price discrimination separates leisure from business travellers by requiring 21 days' advance booking for cheap tickets.

The airline and CRS executives that Mr Walker brought in as consultants and non-executive directors solved the problem by crafting a package to satisfy the airlines' concerns. Customers can make only one bid for a given route on a given day – and PriceLine can enforce this rule by rejecting repeat bids from the same credit card, address or passenger names.

To make it even harder to find out each airline's bottom price, PriceLine allocates seat sales in rotation between airlines on a given route, so that the next successful bidder is likely to travel on a different airline with a different stopover. This prevents a family probing for the best price, member by member.

PriceLine tickets are heavily restricted. There are no refunds (except the standard discretionary waivers such as death in the family); no frequent flyer miles; and no choice of routing or airline, though PriceLine promises not to fly you more than 25 per cent

further than the shortest direct flight. These limits help to reassure airlines that buyers of low-cost tickets are truly open to any carrier, and not merely their own loyal customers paying less.

Because buyers get only one bite, PriceLine can also operate a 1-800 phone service that would be uneconomic for an online service, allowing repeat bids. As a result, it has positioned itself as a mass consumer service, and it advertises in the mainstream media. (Mr Walker says the company will be America's biggest radio advertiser this month.)

The company's \$20m first-month spend on advertising is evidence of strong stomachs among PriceLine's backers. The company has raised a total of \$25m from a handful of individuals. It already has 100 employees, based in Stamford, Connecticut.

The company claims to have signed up five of the eight largest domestic US airlines, and says it has

100,000 seats available every day. Mr Walker says the web site, www.priceline.com, received one million individual visits during its first week. However, he will not be drawn on ticket sales so far or indicative prices.

According to Mr Walker, air tickets are just the first of many services that PriceLine will offer. Its next venture, due for launch in the summer, will be a bidding system for new cars.

The air ticket service is a great start. Although it falls short of a fully-fledged "bazaar of the future", it will introduce more subtle price discrimination into the marketplace. My guess is that it will also lead to the end of the artificial distinction between business and leisure travellers.

Today, companies choose to hold some meetings by phone or videoconference to cut the cost of air travel. Tomorrow, less important meetings may still be face to face – they will just be reached by roundabout routings and low-cost airlines.

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Financial Times Surveys

Greece and South East Europe

Tuesday May 19

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FINANCIAL TIMES
No FT, no comment.

INSIDE TRACK

TECHNOLOGY SHIPS

Keeping open the winter channels of communication

Andrew Baxter on how Finland is finding new ways of conquering an inhospitable climate

Wintry weather has made a late return to much of Europe in the past few days, but in northern Finland it never left – and will not for a few weeks yet.

The furthest reaches of the Gulf of Bothnia, which separates Finland and Sweden, are still ice-bound, and for anyone who has not travelled across a frozen sea, it is an eerie experience. At first the environment seems friendly enough as the icebreaker *Urho* passes scattered inshore islets west of Oulu. You can wave to fishermen, their cars and vans parked on the frozen surface.

But as the weather closes in and the icebreaker moves into open sea and thicker ice, this temporary terrain appears increasingly threatening. The only sign of human activity is the path of a previous icebreaker, which stretches out in front.

As the *Urho's* bows crash into the ice, deep cracks spread outwards from the boat and the container tanker it is towing, briefly revealing water behind the ships before the ice floes reunite. When the temperature drops to minus 20°C in deepest winter, you could walk across the route within 30 minutes of a ship passing.

Finland takes almost masochistic pride in being the only European Union country to be completely icebound every year – apart from one port in the south, Hanko, which is occasionally relieved. Some of the northern ports are icebound from October to the end of April.

It is crucial for Finland's

export-oriented economy that at least some of the 50 ports along its 1,500km coastline are kept open. The northern ports are the gateways for the steel, forestry and other industries built up in the region since the 1970s, due largely to the encouragement of the late president Urho Kekkonen, after whom the icebreaker is named.

Finding new ways to tackle this task is a priority for shipbuilders and suppliers, shipowners and the Finnish Maritime Administration, which spends \$20m (£15m) a year on running costs alone to keep 23 ports open during the winter. This year has been "mild" – the last "hard" one was 1986-87 – but even the *Urho*, whose 22,000 horsepower engines pack the same punch as an average VLCC (very large crude carrier), gets in a fix sometimes.

In mild winters the wind moves the ice more, creating open-sea ridges that can stretch several metres below the surface. Last month the *Urho*, largest of Finland's eight icebreakers, hit such an obstruction while escorting two tankers. "We came to a halt but the first tanker, which was 1km behind us, could not stop in time and went into us," Captain Raimo Rintala reveals. "There's a small hole in the stern which we will have to repair."

Some ideas for icebreaker design have yet to move beyond the drawing board or laboratory test tank. Normal icebreakers can only cut a path as wide as themselves, so two have to be used together to create a

channel for a bigger vessel. But Göran Wilkman, arctic technology project manager at Kvaerner Masa-Yards (KM-Y) in Helsinki, has developed a patented solution known as the "oblique icebreaker".

Three bow propulsion units, facing different directions, would shuffle the icebreaker forwards and sideways, creating a wider channel and saving money for the shipowner. The concept is in a preliminary stage but tests have gone well.

Other ideas are already in use. Conventional icebreakers are re-

Finland takes almost masochistic pride in being the only European Union country to be completely icebound every year, apart from one port in the south

actively wide, or "beamy", and shallow in the water, so they are little use in open sea, where they tend to roll badly. "The ships rest in port for seven to nine months each year, but we still have to pay some of the wages," says Pekka Väisänen, head of information at the maritime administration.

In the early 1980s, the administration came up with a solution: the dual purpose icebreaker. It commissioned from Finlay, the shipbuilder, two vessels with the rear narrower than the front, sharply improving handling in open water. The *Fennica* and *Nordica*, delivered in 1983 and 1994 respectively, spend their winters icebreaking in the Gulf of

Bothnia and summers doing pipe installation and other work in the North Sea. A third dual-purpose icebreaker, the *Botnia*, will be delivered this year. It will be the first such vessel to be equipped with a derrick, and a hole in the bottom, for overhauling offshore oil wells.

Another approach is to try to do without icebreakers. The number of ice-strengthened ships is

increasing, and some newer tankers and roll-on/roll-off ferries can handle 1.2m of ice unaided. But even these need assistance in harsh conditions.

Most icebreakers have had extra propellers in the bows for a century or so – the increased water flow washes and lubricates the forebody of the ship, and it is easier to break the ice. But tests have shown that the best way to get through the ice would be to have all the power in the bows.

And when the going really gets tough for Arctic icebreakers that are fitted only with aft propellers, they turn round and "run astern". So why not do the same for other ships? Enter the double act-

ing tanker (DAT), which operates normally in open water but turns round quickly to run astern through ice. The concept is the result of development work by KM-Y, and has been tested on two converted tankers, the *Utku* and *Lummi*, which are owned by Nemarc, a joint venture between KM-Y and Neste, the Finnish oil and energy group.

Results have been encouraging. In tests running stern first two years ago, the *Lummi* got through a 15m ice ridge unaided. No purpose-built DATs exist yet, but KM-Y has developed designs for 40,000 deadweight tonnes (dwt) and 90,000dwt models.

The concept could have implications for exploiting the largely untapped oil and gas reserves of the Barents Sea and the Russian western arctic. Neste wants to use DATs to convey Arctic crude oil, and the concept could provide an alternative to pipelines in some regions, says Juhani Laapio, Neste's vice-president for ship management. KM-Y, Neste and Gazprom, the Russian gas monopoly, have signed a letter of intent for one 90,000dwt DAT vessel, and Mr Laapio says an order could be placed later this year.

All these ideas rely on a rudimentary method of propulsion known as azimuthing, introduced 30 years ago on tugs and other vessels needing extra manoeuvrability. The electrically driven propeller is mounted on a shaft that rotates through 360°, so that the unit can face in any direction.

ROAD MAINTENANCE

Natural solution to cracking problem

Geotechnical knowhow has found that the road to preventing frost damage is paved with peat

While a frozen sea is the most visible sign of Finland's annual environmental challenge, frost damage is a big but less obvious problem on land, writes Andrew Baxter.

Peat, used for centuries as a source of energy or a fertiliser, is coming to the rescue.

The severity of the winter and swings in annual temperature, a relatively high groundwater level, and soil types that are particularly susceptible to frost lead to a phenomenon known as frost heave.

This movement of the subsoil is a result of a complex process of heat and water transfer in frozen and partially frozen soil that is covered by snow or ice.

Frost can penetrate to a depth of 2m-3m, and as the ground thaws in the spring, its load-bearing capacity is reduced, threatening to damage buildings, roads and other structures.

Insulation to reduce heat flow is the key to preventing this, says Kauko Kujala at the University of Oulu's geotechnical laboratory in northern Finland. This is relatively easy to achieve with

houses, he says, but a much bigger problem for roads, where cracks can be expensive to repair.

The challenge is to find materials with low thermal conductivity that can do the job cost-effectively.

Sand or slag, a waste product from the steel industry, can be used. But for several years the laboratory has been testing the use of sod peat as a frost insulator for roads.

For environmentalists in the UK, peat is a sensitive issue. Friends of the Earth held demonstrations outside garden centres last weekend amid growing concern about its use as a fertiliser

and the consequent threat from peat extraction to wildlife habitats. But in Finland there is plenty of the stuff.

"Peat is light and its thermal conductivity is low," says Mr Kujala. "It is very promising as an insulator for minor and country roads."

Test roads have been built with a 400-600mm layer of peat under the sub-base and base course, and a design code has been developed for local authorities.

For the laboratory, the peat-based roads are just one example of how geotechnical knowhow can provide a stronger foundation for civil engineering in a cold climate.



Environmental challenge: Finland faces severe winters and swings in temperature

BUSINESS JARGON COMPETITION 1998

Remember "shoddipush" and "white-anting"? Recall "referential transparency" and the strategic use of the "horseblanket"? These prize specimens of management gobbledegook were among the winners of the jargon competition we ran last year.

The Financial Times and the Management Consultants Association are launching the 1998 business jargon competition. Three £500 prizes will be on offer, so start collecting gobbledegook horrors and watch these pages for further details.

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JOHN THORNHILL
FILE FROM MOSCOW

To Russia with business

No longer the running dogs of international capitalism, foreign business leaders are treated more with reverence than revulsion

It is sometimes easy to forget how much Russia has changed since Soviet times. So much of what once seemed unthinkable is now regarded as commonplace, whether it is freedom of religion, consumer choice, or foreign travel.

With bewildering speed, it seems society has swung from totalitarianism to libertarian with little pause for anything less radical in between.

Undoubtedly, one of the most striking changes has been Russia's attitudes towards foreign business leaders who, in Soviet times, were routinely condemned as the running dogs of international capitalism. These days, they are more likely to be treated with reverence than revulsion. When Bill Gates, the founder of the Microsoft computer software empire, visited Moscow last year he was granted ready access to the Kremlin and merited front-page news for days.

In the past few weeks, two very different businessmen have also visited Moscow, provoking considerable media attention.

Luciano Benetton, president of the eponymous Italian clothing business, was in Russia to help propel the expansion of his company's stores, while Jean-Louis Dumas, the fifth generation descendant of the family that runs the French Hermès fashion house, was promoting an exhibition of

the company's silk scarves. In Soviet times, Benetton's love of controversial advertising – such as the billboard of a nun and a priest kissing – would doubtless have attracted the withering criticism of Communist ideologues.

Hermès' luxury goods, too, would surely have been denounced as mere baubles for the bourgeoisie.

Nowadays, however, Russia's *beau monde* clamours to exhibit the photographs used in the Benetton advertisements and to peruse Hermès' exquisite art.

What has also changed is the attitude of foreign businessmen towards Russia. Mr Benetton's and Mr Dumas' views are both highly instructive in this regard.

Mr Dumas, whose rhetoric is as colourful as his company's products, is enthralled by Russia's re-entry into the world as well as enticed by the emergence of 150m potential customers – or patrons, as he prefers to call them.

The company, which has increased its sales by an average of 24 per cent a year between 1986 and 1996, senses a promising business opportunity.

"Russians are our new neighbours and my attitude is to open our doors to neighbours," Mr Dumas gushes. "We can best find out who they are and get to know them not by reading newspapers but by coming

here and remembering certain looks and certain smiles and certain reactions."

The company's exhibition – entitled *Hermès Scarves: Dreams Woven of Silk* – has only previously been displayed in Osaka and Los Angeles, highlighting the importance that Hermès now attaches to Russia.

Mr Dumas asked Hilton McCulloch, the stage designer, to rummage through the company's "treasure chest of scarves to create an imaginative voyage of discovery".

The result is a theatrical display of artfully-lit "consumer icons" that would not look out of place in a production by the Bolshoi Ballet.

Mr Dumas says "his family memory" told him that Russians had always been "very knowledgeable patrons" of Hermès until the Bolshevik revolution of 1917 and today they are becoming increasingly frequent visitors to the company's shops around the world.

"We have a great opportunity to re-tie, to re-bind, Hermès and Russia. I wanted them to know Hermès not by the superficiality but by the reality," he says.

Mr Dumas believes it is important to establish the brand in Russia even before the first store has opened. "If we wanted to plant a flower here then we would not have to dig very far but as we want to grow an oak then we must put down

deeper roots," he says.

Mr Benetton, whose wild, white hair and steel-framed glasses give him the air of a dreamy academic, is another unconventional businessman who entertains occasional flights of fancy.

But his experience of Russia is also grounded in the reality of operating in the country since 1989 – it took three months of battling with bureaucracy for the company to import its own office furniture.

Benetton aims to expand its network of franchised stores to 25-30 by the year-end, taking in such far-flung towns as Samara, Omsk and Kemerovo. Mr Benetton's starting premise is that in spite of decades of isolation the Russians respond to the same impulses and fashion instincts as consumers in most other countries.

"The fashion market is becoming more and more global and young people and young women in particular the world over have the same feelings towards the same products."

That said, he argues it was always overly-romantic to expect Russians to emerge as fully-formed consumers as soon as the Berlin wall fell. It will take time for Benetton to learn from the local market as the economy recovers. It will also take time to overcome the Soviet mentality.

"The countries of eastern Europe – and especially Russia – still have their own identifiable cultures and histories but they are moving closer and closer to western Europe every day," he says.

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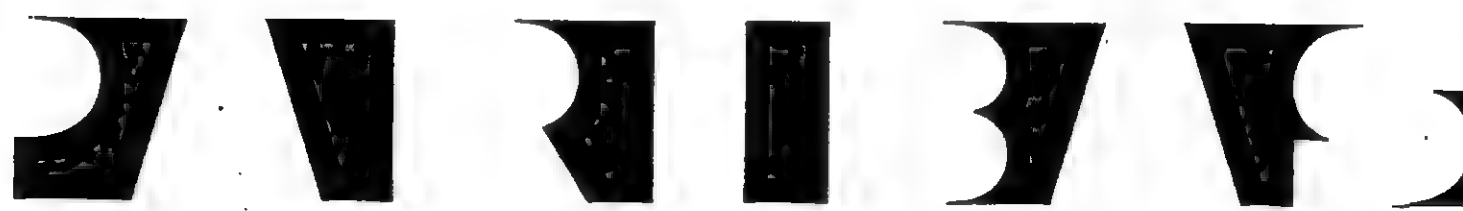
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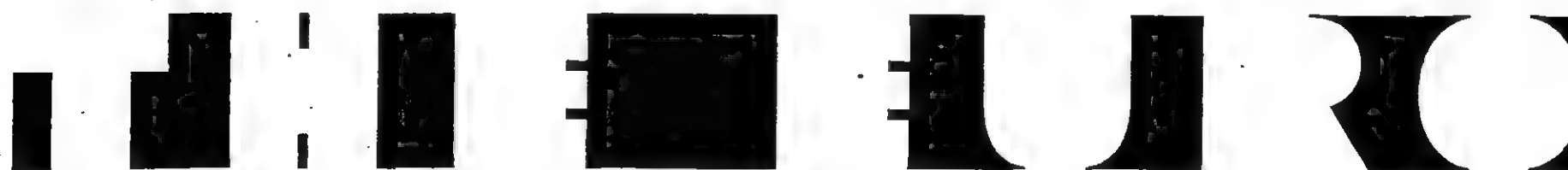
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BERLIN

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THE ARTS

OPENINGS



NEW YORK
With its concert on Thursday at Avery Fisher Hall, the New York Philharmonic launches a week-long celebration of British music. Sir Colin Davis (left), who becomes the orchestra's principal guest conductor next season, will conduct works by Vaughan Williams, Tippett and Elgar. There will also be a piano recital by Joanna MacGregor, and a chamber music concert featuring works by Adams and Turnage.

AMSTERDAM
In coming years the Rijksmuseum's rich collection of 17th century Dutch drawings is to be published in a series of exhibit catalogues. A survey of 160 drawings has been compiled to mark the

publication of the first volume, including early landscapes by Vasecher, Van de Velde and Van Goyen. The exhibition opens on Saturday.

EDINBURGH
Sacred and Profane is a new series of works commissioned from Celine Golvin, one of Scotland's leading contemporary artists. It opens in The Gymnasium on Saturday.

GENEVA
Roderick Brydon conducts Guy Joosten's new production of Handel's *Agrippa*, opening at the

Forces Mottises on Wednesday. The cast includes Paula Rasmussen, Elizabeth Futral (below) and Brian Asawa.

FLORENCE
Lav Dodin, best known for his work with St Petersburg's Maly Theatre, made his operatic debut three years ago directing Elektra at the Salzburg Easter festival. Now he takes a further step into operatic territory with Shostakovich's *Lady Macbeth of*

Moscow of the Tenth. Conductor, Semyon Bychkov conducts, and the title role is sung by Karen Huffstodt. First night is tomorrow.

LONDON
Doris, Edna Everage (right) returns to London in *Edna* - the Spectacle, opening tomorrow at the Theatre Royal Haymarket. A double bill of ingenious one-act classics from the 1960s opens on Wednesday at the Comedy Theatre: Tom Stoppard's *The Real Inspector Hound* and Peter Shaffer's *Black Comedy*. Greg Doran directs; the illustrious cast includes Desmond Barri, Anna Chancellor, Sara Crowe, Geoffrey Freshwater, Nicola McAuliffe, Nicholas Rowe, David Tennant, and Gary Wadsworth.



CONTEMPORARY MUSIC

Acceptable sounds of radical brutism

Pierre Ruhe talks to the Finnish composer, Magnus Lindberg

Finnish musicians are a fast-rising lot everywhere just now, and fastest among their composers is Magnus Lindberg. His music is being played with increasing fervour and everyone seems to want a piece. *Feria*, an orchestral work premiered at last summer's Proms in London, tallied 15 performances world-wide within its first six months - surprising for a composer labelled as a "radical brutist", a "passionate systematician" and whose music on first hearing can sound noisy, industrial, and often ferociously dense.

Yet along with Thomas Adès, an even younger British composer of an altogether different stripe, Lindberg, 38, is touted as a leader of his generation, admired for the satisfaction his music gives performers and for the deft act of balancing "approachability" with the highest standards of compositional rigour. This often abrasive rigour makes him a fundamentally traditional composer, albeit operating within a tradition established only in the past half-century.

At Helsinki's Sibelius Academy, along with classmates that included Esa-Pekka Salonen and Kaija Saariaho he became frustrated that they weren't hearing the latest in modernism and formed "Korvatuki" (Ears open), a new music society that revitalised Finnish music. "The tradition in Finland was that you did things alone," Lindberg said recently in Los Angeles. "The ideal picture of the composer was that you sit in the forest and compose. We wanted to say 'No, we will die if we do that.' Ours was a very non-romantic approach."

Lindberg grew close to the serialism of Stockhausen and Babbitt and moved on to soak up Darmstadt summer courses. He came under the influence of Helmut Lachenmann and Brian Ferneyhough - although he now concedes that the Darmstadt model has "produced very little good music, perhaps only 15 excellent pieces since the 1950s." Complexity, he says, "doesn't exist if there isn't simplicity as well. You need a reference point, and constant complexity is grey for me."

He joined Boulez's IRCAM underground electronics studio in Paris and soon afterwards wrote *Action-Situation-Signification* (1982), a mostly tape-and-percussion block of musique concrete inspired by Elias Canetti's enlightening book, *Crowds and Power*.

His own ears wide open, Lindberg later veered towards the French spectral sounds of Gerard Grisey and Tristan Murail, and was attracted to the sonorities and energy of Berlin punk bands. By this time his music was "ridiculously overconstructed", he says, and limiting because he had primarily explored rhythmic structures, afterwards filling out the rest of the piece.

An intensive use of computers led to broadened horizons and streamlined procedures. *Kraft* (1985) became his breakthrough in both recognition and style. Composer-in-residence at the 1985 Aldeburgh Festival and artistic director of the South Bank Centre's 1986 "Meltdown" festival signalled acceptance on a more influential scale.

"I have never really thought of music in terms of melody," says Lindberg, who prefers to explore harmonic regions - clouds of related notes, each with a distinct flavour. A computer program expands and unfolds his material, using rules not



Magnus Lindberg: 'I have never thought of music in terms of melody'

dissimilar to those used by Palestrina or Josquin des Prez. "What interests me most is syntax, in the grammar that says what can and cannot be done."

He and his Macintosh will overproduce notes on paper which he will then compress, or whittle away, until it takes shape, constantly working on "local solutions." Such a method suggests an mechanised world - which

monistic musicians an alarming 50 hours of rehearsal to bring together.

Yet the method doesn't explain Lindberg's unerring sense that leads each piece to its inevitable resolution. Lindberg's most convincing skills are in holding tension in his music, finding contrasts (foreground/background or loud and soft) and taking the listener on a journey. Even respects after *Coyote Blues* I didn't see a way to go further on that path. I feel quite alienated from it now." It represents for him the limits of his "simplicity" style, and he returned to his grittier sounds of the late 1980s.

Married and with two young daughters, Lindberg collects a small stipend from the Finnish government and works overtime filling commissions and conducting dates, mostly of his own music. Asked recently by the Orchestre de Paris to write a cello concerto for Yo-Yo Ma, he accepted on condition that the soloist instead be Anssi Karttunen, with whom he's worked for two decades. And although he has virtually no experience writing for the voice, a commission to write his first opera is in process.

"I basically have a schedule now that is fixed until 2001 - but I am not taking on further projects beyond that. How can I know what I want to do in five years? The ultimate dream would be to achieve the position that Lutoslawski had and say: 'No, I'm not taking any more commissions. When I finish a piece, if someone wants to buy it, it's for sale.'"

His mature works struggle between order which the ear can handle and a density which borders on anarchy

we hear - and might explain why some episodes in a piece like *Joy* (1990) can feel long-winded. He's aware of the danger. "When you choose material by this method you have to correlate it with the size. Sometimes you overcook things."

His mature works struggle between order (music the ear can handle) and a density so complex as to border on anarchy. And this level of thoroughness presents its own problems: the US premiere of *Related Rocks* (1997) for four players, took LA Philhar-

Subtle train of thought locked into loneliness

THEATRE

SARAH HEMMING

The Unexpected Man

The Pit, Barbican, London EC2

Yasmina Reza is a smuggler of a playwright who works by stealth. In *Art* she smuggles a rather profound, thoughtful piece about friendship into a boulevard comedy. In her new chamber play, *The Unexpected Man*, she employs the traditional ploy of a meeting on a train, but the game in this case is that the characters do not speak to one another, but to us, through interior monologue.

In reality, the two characters sit in silence, each locked into loneliness. But we are privy to their thoughts, which spill out and interweave. One (Michael Gambon) is a famous novelist who is tired of life, himself and his writing and shares his dyspeptic grumbles with us, the other (Eileen Atkins) is a lonely, middle-aged woman, a great fan of his, who unburdens her reflections on her life and relationships, while daring herself to address the writer, whose novel she has, half-read, in her handbag.

There is not as much meat to the new piece as there is to *Art*, though there are similar concerns. In *Art*, through the guise of an argument about an avant-garde painting that splits up close friends, Reza picked away at the lies that bind to uncover the fragility of friendship. In *The Unexpected Man* (crisply translated by Christopher Hampton), she also explores the complexities of human contact and the way we forge our own identities. It may be a slight piece, but it is delicate and witty, neatly constructed and peppered with irony. It captures subtly the slippery, fleeting nature of the world of possibilities that daily surround us.

Matthew Warchus's beautiful, poised production for the RSC frames it to perfection. It is precisely and wittily directed to catch every turn of the head and flex of the wrist, but also the wistful, reflective quality that pervades the piece. Mark Thompson's elegant set suggests a train, but is also slightly surreal, more evocative of the state of mind a train journey induces than

of physical surroundings. There is a railway track across the stage, but the characters are suspended above it on a glass floor, on which they move like insects on a pond. Against the back wall is a huge train window. Astute lighting by Hugh Vanstone keeps reminding us of the moving train, which punctuates and moulds the play, and also occasionally turns these

giant in a well-cut purple suit, mulls about her lost men friends and mulls over the madness of meeting a man by chance who has spent, through his writing, so much time in her life. Her exact combination of the wry, the quizzical and the sad is most poignant.

Gambon, meanwhile, scarcely moves, but suggests chronic grumpiness simply through the hunch of his

One character is a famous novelist tired of life, the other a middle-aged woman with his novel in her handbag

glass surfaces sit in mirrors so that the two characters are surrounded by reflections of themselves, at which they stare, brooding - as people do on trains.

Michael Gambon and Eileen Atkins, meanwhile, are superb, both suggesting by different means the disconsolate and lonely middle age in which they find themselves. She, faded but ele-

shoulders and the sag of his back. When he finally makes contact with his travelling companion, he thaws visibly to give a glimpse of the man beneath the layers of discontent.

It is not a fulfilling piece of theatre and in the end the whole thing glides past just as countryside does on a train ride - but then that is half the point.



A journey of the mind: Eileen Atkins and Michael Gambon, superb in Yasmina Reza's new chamber play

INTERNATIONAL

Arts Guide

BERLIN

CONCERTS

Philharmonie
Tel: 49-30-2548 6354
● Berlin Philharmonic Orchestra: conducted by Roger Norrington in works by Haydn and Krussen; Apr 20, 21, 22
● Berlin Philharmonic Orchestra: conducted by Claudio Abbado in works by Mozart, Rihm, Brahms and Schumann; Apr 25

DANCE

Deutsche Oper
Tel: 49-30-34384-01
La Sylphide: revival directed by Peter Schaufuss; Apr 25

OPERA

Deutsche Oper
Tel: 49-30-34384-01
Der Prinz von Homburg: by Henze. Directed by Christian Thielemann in a staging by Götz Friedrich; Apr 24

BIRMINGHAM

CONCERTS

Symphony Hall
Tel: 44-121-212 3333

CHICAGO

CONCERTS

Orchestra Hall
Tel: 1-312-294-3000
www.chicago-symphony.org
● Chicago Symphony Orchestra: conducted by Donald Runnicles in works by Wagner, Haydn, Part and Britten. With cello soloist John Sharp; Apr 21
● Chicago Symphony Orchestra: American premiere of Carter's *Chromatic Concerto*, conducted by Pierre Boulez with cello soloist John Bruce Yeh. The programme is completed by Mahler's Symphony No. 1 in D Major; Apr 23, 24, 25

FLORENCE

OPERA

Maggio Musicale Fiorentino
Tel: 39-55-211158
www.maggiomusicale.it
The Lady Macbeth of the Mtsensk District: by Shostakovich. New production by Lev Dodin, conducted by Semyon Bychkov; Teatro Comunale; Apr 21, 24

FRANKFURT

CONCERT

Alte Oper
Tel: 49-69-734 0400
Chamber Orchestra of Europe: conducted by Nikolaus Harnoncourt in works by Schubert, Mendelssohn and Schumann. With violin soloist Thomas Zehetmair; Apr 22

Apr 21

GENEVA

CONCERTS

Victoria Hall
Tel: 41-22-317 0017
Orchestre de la Tonhalle de Zurich: conducted by David Zinman in works by Bartok and Mahler. With violin soloist Viktoria Mullova; Apr 22

HELSINKI

OPERA

Finnish National Opera
Tel: 358-9-4030 2211
The Magic Flute: by Mozart. New production by Swedish director Elinor Glaser, designed by Peter Tjellberg. Conducted by Mikko Franck; Apr 24

LONDON

CONCERTS

Royal Festival Hall
Tel: 44-171-980 4242
● English Chamber Orchestra: conducted by Pinchas Zukerman in works by Beethoven and Mozart, with piano soloist Ilyko Nakamichi, and by Shuntaro Sato in Bartok's Viola Concerto, with Zukerman as viola soloist; Apr 20
● Philharmonia Orchestra: conducted by Mihail Pleșnev in works by Beethoven and Tchaikovsky. With mezzo-soprano Ann Murray; Apr 21
● Orchestra of the Age of Enlightenment: conducted by Sir Simon Rattle in works by Mozart, Beethoven and Brahms. With mezzo-soprano Ann Murray; Apr 22

● The Royal Opera: *Parsifal*, by Wagner. Concert performance, conducted by Bernard Haitink. The title role is sung by Plácido Domingo; Apr 23

OPERA

English National Opera, London
Coliseum
Tel: 44-171-622 8300
La Bohème: by Puccini. Steven Finliott's production is revived by Barry Alnkinn and Frances Moore, and conducted by Alex Ingraham; Apr 21, 23

LOS ANGELES

OPERA

L.A. Opera, Dorothy Chandler Pavilion
Tel: 1-213-972 8001
www.laopera.org
Il Trovatore: by Verdi. Conducted by Gabriele Ferro in a staging by Stephen Lawless. Cast includes Vladimir Bogachov; Apr 25

MUNICH

CONCERTS

Philharmonie Gasteig
Tel: 49-89-5481 8181
● Munich Philharmonic Orchestra: conducted by Günter Wand in works by Schubert and Bruckner; Apr 20, 21
● Vienna Philharmonic Orchestra: conducted by Vladimir Fedoseyev in works by Schubert, Haydn and Tchaikovsky; Apr 22
● Klassische Philharmonie Bonn: conducted by Herbert Beissel in works by Beethoven; Apr 23
● Königlich Bamberger Philharmonie: conducted by Mu-

Hal Tang in works by Mozart, Brahms and Tchaikovsky. With violin soloist Julian Rachlin and pianist Anna Gourari; Apr 25

OPERA

Carl-Orff-Saal, Gasteig
Tel: 49-89-4809 8508
Vision of Lear: by Toshio Hosokawa, with a libretto by Suzuki and Hosokawa. Co-production of the Munich Biennale with the Shizuoka Performing Arts Centre; Apr 20, 22

NEW YORK

OPERA

New York City Opera, New York State Theatre
Tel: 1-212-870 5570
www.nycoopera.com
Paul Bunyan: by Britten. New production directed by Mark Lamos and conducted by Stewart Robertson; Apr 22, 25

PARIS

CONCERTS

Salle Pleyel
Tel: 33-1-4557 6589
Orchestre de Paris: conducted by Frans Brüggen in works by Haydn and Mozart. With cellist Truls Mork; Apr 22, 23

Théâtre des Champs-Élysées

Tel: 33-1-4922 5250
● Vienna Philharmonic Orchestra: conducted by Zubin Mehta in works by Weber, Mozart and Mahler. With oboe soloist Martin Gabriel; Apr 24
● Cecilia Bartoli: recital, with the Orchestre National de France conducted by Charles Dutoit, in

works by Rossini and Ravel; Apr 25

ROME

OPERA

Teatro dell'Opera
Tel: 39-6-481601
www.themba.it
Parsifal: by Wagner. Bernard Haitink conducts the Covent Garden production, with a cast including Plácido Domingo and John Tomlinson; Apr 26

SAN FRANCISCO

CONCERTS

Davies Symphony Hall
Tel: 1-415-554 0000
www.sfsymphony.org
● Isaac Stern: recital by the violinist, accompanied by Robert McDonald; Apr 21
● San Francisco Symphony Orchestra: conducted by Hugo Wolf in works by Debussy, Mozart and Schumann. With piano soloist Alicia de Larrocha; Apr 22, 23, 24, 25

TOKYO

CONCERT

Bunkamura
Tel: 81-3-3477 9888
New Japan Philharmonic: conducted by Rostropovich in works by Shostakovich. With piano soloist Constantin Lifschitz; Orchard Hall; Apr 24

TORONTO

OPERA

Canadian Opera Company, Hunningbird Centre

Tel: 1-416-363 6671

www.coc.ca

Fidelio: by Beethoven. Revival conducted by Richard Bradshaw in a staging by Richard Monette, with sets and costumes by Laura Cassella; Apr 21, 24

VENICE

EXHIBITION

Palazzo Grassi
Tel: 39-41-523 1680
www.palazzograssi.it
Picasso: 1917-1924. Works inspired by the theatre and ballet, as well as the artist's first visit to Italy, to Jun 28

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22.00: World Business Today Update

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COMMENT & ANALYSIS

PERSONAL VIEW ROGER BATE

A myth stubbed out

The European Union should scrap plans to ban tobacco advertising because such a move, far from reducing smoking, would lead to an increase in the activity

This week European Union health officials are expected to agree to ban tobacco advertising at some future date. The aim is to reduce smoking among young people and is based on the belief that children's preferences are significantly influenced by advertising.

However, aside from the immediate risks to jobs in tobacco marketing, publishing and advertising, and a significant loss of commercial free speech, there is considerable doubt that the primary aim of the ban would be achieved. Professor Hugh High of the University of Cape Town has just reviewed the worldwide literature on the tobacco-advertising-consumption relationship for the Institute of Economic Affairs. According to his analysis, the average adult in countries belonging to the Organisation for Economic Co-operation and Development that have advertising bans consumes 3.3 per cent more tobacco than do individuals in countries with regulated advertising and warning labels. More specifically, Italy, Portugal, France and Norway have had advertising bans for many years, during which time smoking levels have increased, particularly among young women.

Yet those countries - such as the UK, Belgium and the Netherlands - that have allowed advertising in recent decades have seen a faster decline in smoking over the same period than OECD countries with stricter rules. The alleged positive relationship between advertising and total tobacco consumption may be a myth.

Conventional wisdom is that advertisers can easily create demand for products among a naïve public. It is consequently assumed that an advertising ban would reduce demand for the products concerned, thereby protecting consumers from wanting things that are bad for them. But evidence suggests that consumers tend

not to believe exactly what advertising says - rather, they combine advertising hyperbole with other personal information to reach purchasing decisions.

According to Martin Duffy of Manchester University, this may explain why advertisements (now discontinued) are alleged by many anti-tobacco groups to have encouraged young people to start smoking in the US. A paper in the *Journal of the American Medical Association* reported that Joe Camel was as familiar to six year olds as Mickey Mouse. Among high school students 98 per cent recognised the character, compared with 67 per cent of adults.

The UK government report on Camel, however, said that "the evidence on consumption is not sufficient to establish that the campaign does actually increase smoking". This conclusion, which is supported by many independent studies in Europe, seems to show that even young children know that tobacco is bad for them.

Today's children are bombarded by advertising and they become astute at a very young age at discerning what is and what is not a commercial. Peer group pressure among rebellious teenagers and family habits are far more important in determining whether someone will start smoking, concludes Prof High.

Most politicians know that an advertising ban will not cause tobacco consumption to decline any faster than it already is, but to oppose such a ban is to be labelled pro-tobacco - a poisoned chalice for any politician. In 1996, the Belgian health minister Mr Colla said in a parliamentary debate: "There

reaching the market. But what about the EU health ministers' desire to help the young and impressionable?"

The Joe Camel cartoon character used in R.J. Reynolds's tobacco advertisements (now discontinued) are alleged by many anti-tobacco groups to have encouraged young people to start smoking in the US. A paper in the *Journal of the American Medical Association* reported that Joe Camel was as familiar to six year olds as Mickey Mouse. Among high school students 98 per cent recognised the character, compared with 67 per cent of adults.

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Most politicians know that an advertising ban will not cause tobacco consumption to decline any faster than it already is, but to oppose such a ban is to be labelled pro-tobacco - a poisoned chalice for any politician. In 1996, the Belgian health minister Mr Colla said in a parliamentary debate: "There

reaching the market. But what about the EU health ministers' desire to help the young and impressionable?"

actually does not exist any scientific proof linking advertising and consumption of tobacco." Nevertheless, he could not be seen to back tobacco and had to support the position of a fellow Flemish socialist party member who promoted a bill last year to ban tobacco advertising in Belgium, thereby gaining popular support.

Like politicians, most health professionals cannot acknowledge that tobacco adverts do not induce smoking because if they did they would have to acknowledge that bans do not work and, even worse, that their own anti-tobacco propaganda is probably doomed to fail. Propaganda, as its creator in modern times Joseph Goebbels admitted, is about success not about truth.

Perhaps advertising bans provide success for politicians. After all, bans make them look good by acting to promote public health, but they do not endanger the tobacco taxes that treasuries the world over rely upon.

Take the UK for example. The £10bn (\$16.7bn) raised annually from tobacco taxes is equivalent to the entire budgets of the Foreign Office, the Home Office and the Ministry of Agriculture. Surely governments are too wedded to this funding to jeopardise it if advertising bans really damaged cigarette sales? The answer, of course, is that bans do retard the movement towards "healthier" products, such as lower nicotine cigarettes.

If health ministers really want to do something about smoking then they should encourage the removal of the £700m EU subsidy for tobacco growing and stop this counter-productive advertising ban. Making smoking taboo will attract even more of the young to try this forbidden fruit.

The author is an economist at the Institute of Economic Affairs. Tobacco and Advertising by Hugh High is published by the IEA next month.

LETTERS TO THE EDITOR

Non-economic case for keeping net consumer as part of the household

From Dr Tim Leung.

Sir, Martin Wolf ("Brown's families", April 14) shows that, following the introduction of the working families tax credit, John - who earns £250 a week - is worth just £28 a week to his family. Mr Wolf believes that this will make John a net consumer rather than a net provider, and so Joan, his working partner, should - and will - throw him out. But Mr Wolf forgets the economies of scale of families, the value of non-market labour and, above all, the non-economic motivation for families staying together.

Given that he is living with Joan, John's living costs are small. Above all, he has no housing costs; he is

also much less likely to need his own car, and they can easily share their daily FT. Further, Joan and the children will benefit from John's non-market labour. Living at home he is much more likely to help look after the children, do the ironing, decorating and so on.

Most important, I hope that it is more than John's income that has persuaded Joan to keep him in the household. The vast majority of parents are together because they believe that a stable, monogamous relationship, whether sanctified by marriage or not, is the best route to happiness for themselves and for their children. Courtship studies, from sociologists, health

experts and so on confirm their belief. Such relationships will not collapse because of the working families tax credit.

Of course, there are some families whose relationships are not like this. There are, for example, some women who continue to live with abusive partners. If the tax credit allows such women to start a new life for themselves and their children, then any rise in the number of working lone parents must be welcomed.

Tim Leung,
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Justice costs dear in the US

From Mr Steven Strauss.

Sir, Perhaps the Smith Barney lawsuit is a small reflection of what is wrong with justice in America. A group of women sue Smith Barney on a class action basis claiming (with good evidence) that they were subjected to a pattern of harassment. Various special interest groups join the bandwagon. The result: the lawyers (for the plaintiffs, ie the victims) receive \$8.5m. Various special interest groups and consulting firms are bought off with a pledge of \$15m by Smith Barney. And the victims may receive as much as \$2m.

Note that, unlike their lawyers, the victims receive nothing from the lawsuit. They merely have the right to hire individual counsel to start the process all over again in an arbitration proceeding. Of course, they had the right to arbitrate this matter in the first place, so it is not clear what the plaintiffs gained.

But pointing this out would merely interrupt the gravy train for America's lawyers. The message to America's victims is clear: justice is expensive and must be paid for.

Steven Strauss,
Yale School of Management,
135 Prospect Street,
New Haven, CT 06511, US

Goldilocks: the bears won

From Mr Tim Calvert.

Sir, Jack Campbell ("Bovine White" - now there's a catchy analogy", Letters, April 15) does miss the point of the Goldilocks story: ultimately, the bears score a resounding victory. Bulls beware.

Tim Calvert,
97 Burrard Road,
London
NW6 5DB, UK

Time governments told electorates about change of lifestyle fiscal union will demand

From Mr James Barr.

Sir, David White's report "Spain's black money looks for a white knight" (April 15) omits to mention that popular support for the euro also derives from hopes that the advent of the new currency will inhibit the activities of money launderers.

On holiday at New Year I met a Frenchman who assured me that the first reason for supporting the introduction of the euro was that the suddenness of the

changeover would deprive black marketeers of the ill-gotten gains. This is an argument thankfully absent from the British debate on Euro, due to the comparatively small size of the British black economy.

This episode shows the extent to which many people still wonder what the euro can do for them, not what they will have to do to ensure its success. The euro's effect on the black market will be a temporary

palpation compared with the radical changes of lifestyle which an economic union without fiscal transfers will demand. It is high time governments informed their electorates of what these requirements would be. Otherwise many of the euro's most convinced supporters are likely to be disappointed.

James Barr,
The European Foundation,
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Just how will our grandchildren keep warm?

From Mr Bill McKillop.

Sir, Your survey on world energy (April 15) turned out to be a sorry and sad catalogue of short-termism, wheedle-dealing and head-in-the-sand approaches to world energy.

In its 12 pages there was no attempt to address the simple questions: how long

will the world's fuel resources last out against increasing population and expectations of rising living standards? Just how will our grandchildren and their children keep warm or cook their food? How will they view our thoughtless plundering of the last ounces of coal or litres of oil?

May I suggest these questions as the subject of a future FT survey - even if it is unlikely to attract any advertising support?

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ECONOMICS NOTEBOOK GILLIAN TETT

Breathing space

It is the package to end all packages. Or it is if you believe Ryutaro Hashimoto, Japan's prime minister.

As the Group of Seven leading industrialised nations fretted over Japan's ailing economy last week in Washington, Mr Hashimoto pulled a new rabbit from his fiscal hat - a record ¥16,000bn (\$121bn) stimulus package to be started in fiscal 1998.

The ¥16,000bn figure is bigger than anything Tokyo has produced before. It is even heavier than expected by Japan's US critics, who had been demanding such measures. The big question now, though, is whether it will work.

This is the latest in a line of similar measures: since 1992, at least ¥84,000bn has been spent on packages - a sum twice the size of Australia's gross domestic product. But in spite of the dizzying sums, recent data suggest Japan is teetering near recession: bankruptcies and unemployment recently hit record highs; production fell 3.9 per cent between January and February; and domestic demand was falling at an annual rate of 4 per cent in the last quarter of 1997.

So does this mean that such Keynesian initiatives do not work in Japan? Perhaps not. But research by the Organisation for Economic Co-operation and Development on the impact of the 1992-95 packages should dampen enthusiasm for such measures.

The OECD calculates that pledged fiscal spending packages between 1992 and 1995 totalled ¥75,000bn (although others, such as ING Barings, put the figure nearer to ¥84,000bn). This included income tax cuts that reduced government revenues by ¥17,000bn, about ¥38,000bn in new public investment, and ¥20,000bn in government land purchases and public loans.

Of this, the OECD believes public investment gave the biggest short-term boost. Its model multiplier for public investment, for example, was 1.2 per cent in the first year (meaning ¥1.2 of activity), 1.1 per cent in the second year and zero afterwards. This compares

with the multiplier for tax cuts of only 0.8 per cent in the first year, 1.1 in the second, and zero after that. Spending on land and loans had almost no impact, it assumes.

The upshot is that the ¥75,000bn certainly had an impact: the OECD calculates it raised output by 4 per cent between 1992 and 1995, reducing the impact of the post-bubble recession by half. But it was not very efficient. After all, ¥75,000bn is equivalent to about an eighth of Japan's GDP. A 4 per cent rise in output therefore looks meagre.

bridges have sprouted at a rate of 180km a year - exciting motorways.

Meanwhile, the OECD points out that public investment in high-income areas has had up to three times the economic impact of spending in low-income areas. But since 1992, public investment per resident has been four times higher in these low-income regions.

So will the new package be better? This will not be clear until full details are announced, probably this week. But early signs are not encouraging.

The current background is

Another reason for caution is that there is little evidence the government has abandoned its bridge-building habits

The OECD blames this partly on yen strength and tight monetary policy in the early 1990s. But another factor is that Japan's public sector investment is deeply inefficient. The essential problem is that government spending tends to be focused on vote-winning rural construction projects with limited economic value.

Signs of this abound: the countryside is dotted with expensive and underused infrastructure. In a country that already has 370 dams, another 120 are under construction. Since 1992, new

of tax cuts is probably now lower than in the original OECD model. This is because the current consumer gloom has left Japanese households ill-disposed to spend after tax breaks.

Another reason for caution is that there is little evidence the government has abandoned its bridge-building habits. Mr Hashimoto faces a parliamentary upper house election in July and badly needs the rural vote. Moreover, the construction industry employs 11 per cent of the workforce (double the rate in the US). Cutting construction could deliver a heavy economic blow in the short term.

So does this mean the package will be wasted? Perhaps not. Most economists calculate that measures will boost GDP by about 1 per cent. This should be enough to prevent the economy sliding into a full recession this year.

But this only buys the government time. Once the public spending boost is over, the economy could slump again without private spending growth. And ¥16,000bn does not solve the bigger problem facing Japan: that productivity is crumbling as the population ages.

Optimists retort that Mr Hashimoto could use this breathing space to start tackling the productivity issue with sweeping deregulation and more reform. After all, the last deregulation initiative, including Big Bang, emerged after the 1996 package.

But the risk, as so often in Japan, is that an upturn might be used by politicians as an excuse to stave off sweeping reform. Japan's essential difficulty is that it still has enough money to offset any sense of crisis.

After all, the ¥75,000bn breathing spaces between 1992 and 1995 have not produced the scale of reforms needed. Even now, commitment to deregulation appears half-hearted. Unless this changes, the latest ¥16,000bn offering will simply be squandered. It is an expensive way for an economy to stagnate.

*OECD Economic Survey: December 1996 and November 1997, rue André Pascal, 75775, Paris Cedex, France

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Monday April 20 1998

Bank regulators must keep pace

Which banks will merge this week? As the wave of banking consolidations gathers momentum in the US and around the world, it seems that only a sharp stock market setback will put further deals on hold. Whenever bankers rush to do the same thing at the same time, it is a sure rule that problems will follow, and so it is not surprising that politicians are beginning to express concern. In the US, Senator Arlen Specter and Representative Jim Leach, both Republicans, are promising that their respective committees will hold hearings on the mergers. It is important that they investigate the right issues.

Contrary to their initial comments, the main concern is not about the impact on the consumer. The US still has more than 10,000 banks, and although mergers and failures have reduced that figure in recent years, the number of branches has not changed much. As interstate banking restrictions and other constraints are lifted, the US banking system should become more - not less - competitive.

Rather than focusing on bank customers, US policymakers should be thinking about the implications for the overall soundness of the banking system. The structures that were appropriate for a highly fragmented industry no longer make sense as a growing number of super-banks emerge on the scene.

For a start, US banks today are supervised by a wide range of agencies at the federal and state level. As they move into new areas such as insurance and equities, the number of regulators with which they deal is increasing still further. There is a strong case for considering the idea of merging some of these agencies, or at least of developing a clearer concept of who should play the part of lead regulator for each financial institution.

Next comes the question of the overall approach to regulation itself - and the extent to which it should be based on legions of supervisors armed with rule books. Alan Greenspan, the Fed chairman, is among those to have been brooding about the case for a more market-based system - finding ways of giving investors and depositors a larger role in establishing credit-worthiness.

Finally, policymakers need to be thinking hard about the growing risks of a structure where more and more banks may be seen as becoming too big to fail. In particular, the main risks of failure should be shifted as far as possible from the taxpayer to the market. This means, for instance, that large depositors should be absolutely certain that if their bank goes under, they will lose their money.

More banking mergers are inevitable, and if properly managed they will bring economic benefits. But the regulators must keep pace.

Engaging Tehran

Municipal shenanigans in the Middle East rarely make front-page news in the West. But the struggle around the mayor of Tehran is as clear a snapshot as we can get of the factional battle in Iran between the mullahs and the reformists around President Mohammad Khatami.

Gholamhossein Karbaschi, mayor of Tehran, was released on Wednesday after his imprisonment on corruption charges - at the instigation of the president's opponents - led to riots in the capital, where he is popular.

His release was authorised by Ayatollah Ali Khamenei, supreme spiritual leader of Iran's Islamic revolution, after Mr Khatami underlined that unbridled factionalism could destroy the regime. Former president Hashemi Rafsanjani, still powerful as a Khamenei adviser and cautious supporter of Mr Khatami's reforms, pleaded at Friday prayers for reconciliation within "the revolutionary family".

All of this suggests that - for the second time since Mr Khatami thrashed the mullahs' preferred candidate at last year's election - the hardliners have misjudged the balance of power. Last November, popular resistance forced them to curb their violent campaign against a dissident cleric who questioned the very foundations of theocratic rule in Iran. Now, they may again have miscalculated.

With Ayatollah Khamenei at their head, the conservatives control the army, the security forces, and the judiciary - which is spearheading the attack on the reformists. But Mr Khatami has the electoral support of 70 per cent of a youthful population. They have rallied to his vision of a more plural society under the rule of law, reintegrated into the international community.

The theocrats want an isolated, autocratic society under an austere Islam they alone interpret. One reason they despise Mr Karbaschi is because he successfully issued municipal bonds. Bonds have always been suspect to the conservatives, because interest is proscribed by Islam. But these were endorsed by clerics theologically senior to Mr Khamenei because the real return to investors was classified as profit, not interest. The old guard fears such doctrinal dilution could break their grip on power.

Mr Khatami's success will ultimately depend on popular support at home. But the West, particularly the US, which has helped to isolate Iran, can help. Its best approach lies in engaging with Tehran. Such a policy would strengthen the reformists, encourage Iran's fast-improving relations with its neighbours, and promote rather than impede the investment that will provide the jobs Iranians desperately need.

Leipzig lesson

Germany's famously quarrelsome Social Democrats (SPD) gave an impressive display of unity last week when they confirmed Gerhard Schröder as their candidate for chancellor at the general election. The discipline shown by the party congress in Leipzig should sound a warning for the incumbent, Chancellor Helmut Kohl, after nearly 16 years in office.

The carefully choreographed event, although comical and triumphalist at times, succeeded as televised theatre. The strong endorsement of Mr Schröder by Helmut Schmidt, the former SPD chancellor, was an added bonus. It could increase the party's appeal among older voters, who associate Mr Schmidt's government in the 1970s with the then world-beating German model of the social market economy.

Mr Schröder can also feel pleased with his current opinion poll ratings. His drive to capture the centre ground of German politics, his insistence on pragmatism over dogma, and the deliberate vagueness of some of his policies, owe much to the successful campaigning experience of Britain's Tony Blair and US President Bill Clinton. But Mr Schröder would not be in such a strong position without the self-inflicted wounds of Mr Kohl's coalition.

The chancellor's Christian Democratic Union and the Bavarian Christian Social Union have squabbled over a plan to raise

energy taxes, which deflected attention from a promising CDU draft policy document intended as a platform for electoral recovery. More fundamentally, the feuding has exposed internal coalition weaknesses after such an extended period in power.

Relations between the CDU, CSU and their liberal Free Democrat partners have been strained throughout the life of the current parliament over questions of economic policy, tax reform and civil liberties. The zeal with which certain CDU politicians attacked the latest CDU plans suggests they have already written off hopes of a coalition victory in September, and are staking all on holding power in the Bavarian state elections two weeks earlier.

Mr Kohl's response to these setbacks has so far been feeble. While it is always a mistake to write off the German leader, who is a ruthless operator and a canny campaigner, it is difficult to see how he can recover his momentum. That is unless the SPD repeats past errors and tears itself apart. After Leipzig, such an outcome seems less likely. The activists voted with their heads for Mr Schröder, although in their hearts they would have preferred Oskar Lafontaine, the party leader. Mr Lafontaine insisted on party discipline, and was obeyed. That bodes ill for Chancellor Kohl.

The power to choose

The great experiment of deregulation of the US electricity market is under way in California, where the complexity of the issues involved has emerged in microcosm, reports **Christopher Parkes**

It was supposed to be a "blueprint" for the deregulation of a \$200bn-a-year business. That was how Federico Peña, the American energy secretary, described the latest plans unveiled last month for US electricity. A few days later, California, the biggest single market, became the first state to launch its free electricity market.

But the blueprint looks more like a join-the-dots puzzle. The full picture will not emerge until the federal political process restarts and more states reveal their plans. And that could take much longer than Mr Peña has allowed.

According to his project, all US consumers will be able to choose their power providers by 2003. Driven by competition to use cheaper technologies, replacing coal and oil with natural gas, generators will sharply reduce the burden of emissions on the environment. The average family will end up saving \$62 a year.

Efforts to introduce deregulation, in various stages of progress and disarray, are under way in about half the states in the nation.

The Peña blueprint was intended to fire up the federal debate, stuck in Congress, where it is likely to remain stalled at least until this year's elections are over.

At the moment, the deregulatory effort is running into the sand, and the complexity of the issues involved has emerged in microcosm in California, which accounts for almost 10 per cent of the national market for electricity.

If there is anything to be learnt from the state's experience, it includes lessons that delays and divisive arguments are inevitable, and they do not necessarily end when the systems and statutes are in place.

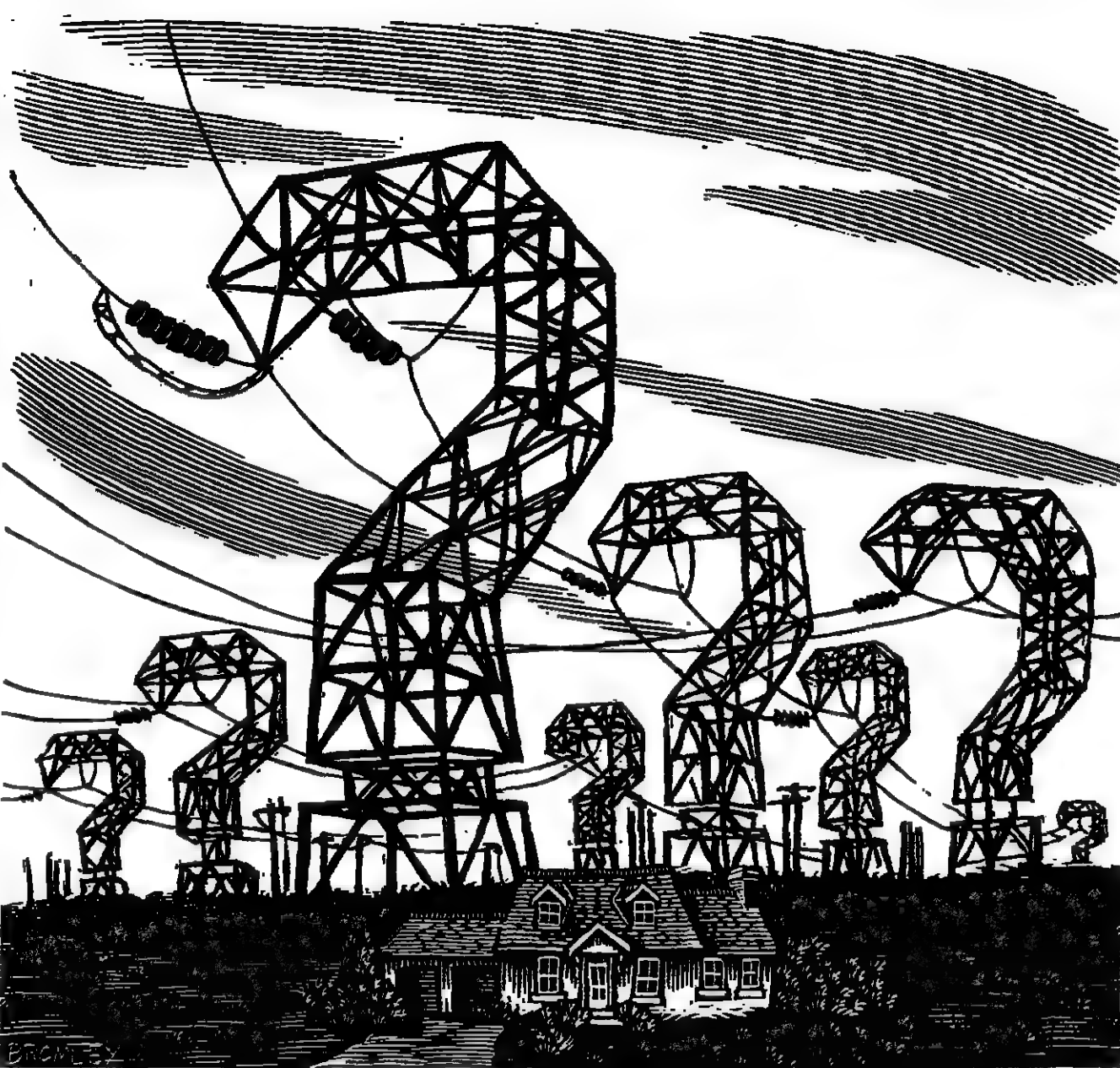
Three investor-owned utilities, Southern California Edison, San Diego Gas & Electric and Pacific Gas & Electric, supply 10m customers, 70 per cent of the state's total. A further 30-odd municipal suppliers with statutory rights beyond the reach of Sacramento's lawmakers - and with lumbering bureaucracies to support - have been excluded from the first stages of deregulation.

More in hope than expectation, some 300 electricity marketing companies set up shop in the state in the 12 months before deregulation day. Only 55 have since formally registered actually to sell power.

The laws of supply and demand officially supplanted the rules of monopoly in the state on March 31, and 10m power customers woke up the next day to observe that the lights in their refrigerators continued to blink dutifully on and off as the doors were opened and closed. Little, it seemed, had changed.

The right to choose a new supplier, an option opened last summer, had been exercised by fewer than 40,000 people. Of big commercial consumers, which account for two-thirds of the state's power consumption and were expected to be the biggest and earliest beneficiaries of the free market, only 10 per cent had switched to new suppliers.

A statutory 10 per cent reduction in rates for residential and small business consumers, in force since January 1, was still making no discernible impact on bills. Californian electricity remains up to 50 per cent more



expensive than the national average.

"True" competition, says David Sokol, chairman of Calenergy, an international generating plant operator, will not emerge in the state until 2002. That is when the incumbent utilities should have recovered \$26bn in "stranded" costs.

These refer to past investments, particularly in nuclear power, which were guided by public policy but which are uneconomic under free market conditions.

That is also when Calenergy, with 10 Californian generating stations supplying wholesale power to the main utilities, plans to join the retailing fray.

In the meantime, bills will continue to show two extra items: the "legislated 10 per cent reduction", and the "Trust Transfer Amount" which, a footnote explains, "recovers the financing cost associated with the required 10 per cent discount", and will add \$900 to the average annual bill.

The theory behind the TPA levy is that it levels the playing field for the incumbent utilities, enabling them to compete on equal terms with incoming power retailers which are not burdened with the stranded costs.

But one retailer complains that it puts the utilities in the driving seat. "All that money spent [lobbying legislators] in Sacramento bought them more time to get in shape before competition really starts," he says.

Since the utilities fostered deregulation through its infancy, some critics say they have already had time enough to improve competitiveness.

While ambitious power retailers are spending millions building up brands and consumer awareness, the established utilities with household names have no such constraints.

But they have opponents other than commercial rivals. A rear-guard action against the levy was launched last month when consumer activists began collecting signatures to support a ballot initiative to scrap it.

Backed by Nettie Hoge, who

endured prospects are not yet clear, it reflects a rising awareness that upfront benefits for consumers are slim at best.

The political difficulties implicit in dealing fairly with stranded costs comprise the biggest obstacles to a speedy transition to the free market at both state and federal level.

Utilities in less populated areas or those with plentiful supplies of cheap power, such as hydroelectric operators in the north west, want the process accelerated. Others, as in California, are pressing on the brakes.

So far, the utilities are having their own way. In Pennsylvania,

deregulated environment, advocates the British approach.

"With UK deregulation there seemed to be a better recognition of the necessity for customers and utilities to share the benefits," says Mr Sokol. "In California, the agencies have chosen to protect the utilities." Customers receive a "pretend" benefit, which they must finance themselves.

The grand design should come from the federal government and be overlaid on the "patchwork" of state markets, he says. Although Mr Sokol acknowledges the differences of scale and politics, he believes the UK's application of one level of national legislation and its "aggressive" handling of the utilities had worked well. If the US free market was to function effectively, the federal framework legislation had to recognise that electricity was a "national commodity" to be regulated as such.

According to Mr Sokol, the state of affairs in California is one of "transition rather than competition". While its enterprise in pressing ahead with deregulation will serve as a helpful catalyst to others, he says, he doubts they will adopt it as a template.

If it is, and especially if California's free-market model is endorsed by Washington, many of today's hopefuls bidding for an early shot at the entrenched utilities may find themselves left out of the picture altogether.

While ambitious power retailers are spending millions building up brands and consumer awareness, the established utilities have no such constraints

rattled the insurance industry with a 1988 proposition that resulted in \$2.5bn in rebates for consumers, the Utility Reform Network calls enticingly for a blanket 20 per cent rate cut and the repeal of the "ballout tax".

"The utilities ramrodded the bailout through the legislature, and the impact for customers is just showing up," says Ms Hoge. "Now's the time the utility barons should start worrying."

Although the initiative's refer-

OBSERVER

Putting Percy under pressure

Has Percy Barnevik, often top of the polls in Europe's most admired managers, found yet another foe? Mervin Swiss financier Martin Ebner has just popped up as a big shareholder in ABB, the Swedish-Swiss engineering giant on which Percy's reputation is founded.

Ebner's arrival could be a vote of confidence in ABB's globe-trotting, lecture-touring chairman. If analysts' estimates are to be believed, ABB is one of the few quality recovery stocks still left around. However, Observer suspects that Ebner, 52, has not spent close to \$200m on ABB shares just to join the Percy Barnevik fan club.

For a start, Ebner's record in creating shareholder value is arguably better than that of 57-year-old Barnevik, the latter's first year as chairman of investor, the quoted investment arm of Sweden's immensely wealthy Wallenberg family, and one of ABB's biggest shareholders, hasn't been a rip-roaring success. Despite his efforts to give-up performance, investor has lagged the Swedish market.

Barnevik's record as a standard-bearer of good corporate governance also looks a little threadbare when held up against ABB's old-fashioned capital structure which allows a few shareholders, notably the

Wallenbergs, to exert a disproportionate influence.

And could there be a touch of jealousy at work? The last shareholder report from Ebner's EZ Trust included an item on Barnevik's ideas for creating shareholder value. It said they might bring a smile to the face of Ebner's followers. The implication was clear: Barnevik was getting credit for ideas Ebner pioneered years ago.

Friends in need

Only two people dared interfere with the elaborate choreography at the coronation of Gerhard Schröder as the Social Democrat challenger to chancellor Helmut Kohl. One was Schröder himself, whose speech was at least 40 minutes longer than the allotted hour. The other was former SPD chancellor Helmut Schmidt, who also spoke far longer than prescribed by the organisers.

So hungry for power is the SPD that activists decided, for once, to forget old feuds and follow orders. Schröder and his old friend and rival Oskar Lafontaine, the party leader, put on such a display of unity that they appeared to be taking part in a three-legged race as they progressed into the hall.

"We are not twins. But we are a damned good team," Schröder assured the crowd. The question is for how long?

than friendship. In his speech, Schröder deferred far more readily to Helmut Schmidt than Lafontaine. Since losing power in 1982, Schmidt has become convinced that one of his big mistakes was not to hold both the posts of SPD party leader and chancellor. If Schröder really is a disciple, Lafontaine had better watch out.

Magellan sails on

Fidelity Investments' giant Magellan fund never does things by halves. Remember former manager Jeff Vinik's ill-timed decision to switch 20 per cent of the world's largest mutual fund into bonds? Under new manager Robert Stansky the massive mutual has recovered its poise - but it's still playing big bets.

When Citicorp announced plans to merge with Travelers two weeks ago, its shares soared. Citicorp was Stansky's fourth-largest investment - a stroke of luck which would put Magellan comfortably ahead of the index. Until, that is, Cendant announced it would have to restate its profits and saw its share price tumble. No prizes for guessing Stansky's fifth-largest investment.

Full steam ahead

Titanic, the film which sailed off with 11 Oscars, is sweeping China. People are flocking to see lots of rich westerners drowning even though, at 70 yuan per ticket, it's the most expensive film ever

screened in the Middle Kingdom. The boating blockbuster has also won adulation from an unusual quarter. President and Communist Party general secretary Jiang Zemin was given a special viewing by the co-producers - Rupert Murdoch's Twentieth Century Fox and Viacom Paramount. He's told his comrades in the politburo to see it too.

The critical acclaim, rare presidential tributes and the film's box office success stand in sharp contrast to the fate of two other "unfriendly" movies about Tibet by Walt Disney Corporation and Sony. Neither is being shown in China. But then Murdoch has never made a secret out of his amicable leanings toward Beijing. He must be glad that the film - like the liner - went down well.

Plucky

Stúrovo, a little town nestled on the Danube in Slovakia, may not yet have a Nobel Peace Prize to its name but it might yet pick up a nomination. The citizens last year united to beat off the Bratislava Mafia. Yesterday they were defying the might of prime minister Vladimir Mečiar, who recently cancelled a nationwide referendum on Slovakia joining Nato.

Stúrovo took wanted to vote anyway and the mayor went ahead with a local referendum, despite the PM declaring the move illegal. Despite Mečiar and bad weather, polling yesterday was said to be heavy.

Financial Times

100 years ago

The Cuban Crisis
Day by day the prospect of war between the United States and Spain is becoming more imminent, and it seems as if only a miraculous intervention of Providence could now prevent the outbreak of hostilities. Unfortunately the Senate and the House of Representatives have arrived at unanimity in regard to the resolutions to be submitted to the president. The only hope left was that a prolonged squabble might arise between the two Houses. The Senate, as might have been expected from such an utterly incompetent legislative body, which would be ludicrous were its actions not so mischievous, was determined to declare the Cuban junta a responsible government.

50 years ago

Elections in Italy
Rome, April 19. Christian Democrat candidates, spearhead of the anti-Communist parties, held the lead for some hours after counting began in the Italian general elections in which, it was estimated, 87 per cent of the electorate voted. Premier Signor de Gasperi's Christian Democrat Party organ, Il Popolo, came out tonight with a special edition with big headlines: "First results of great victory."

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INSIDE

Finger-pointing starts at Cendant

The finger-pointing at Cendant has started. Just a day after news of "potential accounting irregularities" knocked nearly 50 per cent off its \$30bn market capitalisation, Cendant fired Cosmo Corigliano, a senior vice-president. The problems centre on CUC's membership services business, expected to generate almost 40 per cent of Cendant's 1998 revenues. Market movers, Page 17.

SNB launches repo market
Switzerland, which is fast becoming one of Europe's more heavily indebted countries, is launching a repo market in a bid to boost the liquidity in its money markets and give the Swiss National Bank a new monetary policy tool for creating and siphoning off liquidity. Page 18.

Focus stays on yen
The currency market's focus will remain firmly on Japan and the yen this week, although expected UK economic data have the potential to surprise sterling investors. UK labour market statistics are due on Wednesday and first-quarter GDP figures on Friday. Page 29.

F&CM gets aggressive
Foreign & Colonial Management, the oldest and one of the biggest investment trust managers, plans actively to target trusts run by other managers that run into trouble. This dog-eat-dog approach springs from the rapid consolidation of the £80bn (\$100bn) trust sector. Page 16.

Gold Fields suspends unit
The low copper price has claimed a new victim. Gold Fields Namibia has suspended the operations of Tsumeb Corporation and will apply to liquidate it after big losses. Tsumeb employs about 2,000 people at the copper mines of Komati, Khuisb Spruit and Ojibase and at a copper and lead smelter at Tsumeb itself. Page 17.

Thai market returns to normal
After providing some of the world's best returns last quarter - 63 per cent in dollar terms - the Thai equities market has returned to normal. Since a high was reached in February, the market has slipped back. In bet terms it is now up only 17 per cent on the year. Emerging Markets, Page 19.

Owens-Corning puts unit up for sale
Owens-Corning, the Ohio-based manufacturer of glass fibre and other building materials, is putting its glass fibre yarn unit up for sale. It said the unit, the second-largest producer of glass yarn worldwide, had sales of about \$300m last year and employs about 1,500 people. Page 17.

Battle of the benchmarks heats up
The establishment of a widely recognised benchmark for European short-term interest rates is becoming a pressing issue in the run-up to next month's announcement of the founding members of European economic and monetary union. Two rival groups, Euro Libor and Euribor, are fighting to impose their reference rates. Derivatives, Page 28.

VA Tech shrugs off Asia crisis
VA Technology, Austria's largest engineering group, has shrugged off problems in Asia by increasing its order intake 24 per cent, to \$1.2bn (\$644m), in the first quarter of 1998. Its order intake last year was flat at \$1.4bn. Page 17.

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— full listings Page 38

BANANA BATTLES
European Union farm ministers meeting in Luxembourg today will continue to try to agree on how the EU should modify its banana import regime. The World Trade Organisation has backed a complaint from the US that the EU unfairly favours Caribbean banana growers.

CHINESE LEADER VISITS JAPAN
Tomorrow Chinese vice-president Hu Jintao begins a six-day visit to Japan. He will meet senior figures such as Ryutaro Hashimoto, prime minister.

OFF THE MARK
Germany's lower house of parliament is expected to give the go-ahead for the country's participation in the euro currency on Thursday. This means the end of the D-Mark, on which much of Germany's post-war economic strength has depended.

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\$22bn float tempts Goldman partners

And not for the first time, say William Lewis and Tracy Corrigan

When partners of Goldman Sachs, one of the world's leading investment banks, meet to discuss whether to float the firm on the stock market it will be a case of going back to the future.

The June 12 meeting in New York will be the seventh time in the past 27 years that Goldman partners have discussed ending their 130-year-old partnership structure. Each time the partners have rejected change, opting to pursue their global investment banking ambitions as a private partnership. While the agenda for the annual meeting is yet to be published, people close to the bank say a flotation will be formally discussed as part of a review of Goldman's capital structure.

The issue was last raised in January 1996 when deep divisions between recently elected and longer-serving partners forced Jon Corzine, chairman

and chief executive officer, to terminate discussions before a planned formal vote.

This time, however, senior Goldman partners appear confident that the firm will take the plunge and vote to become a public company. The combination of an extremely strong US stock market, several years of big profits and the rapid consolidation of the financial services industry has pushed several partners to reconsider their opposition.

Since January 1986, the Dow Jones Industrial Average has risen by about 75 per cent, and there has been a sharp increase in the multiples of book value at which securities firms in the US have sold.

Merrill Lynch and Morgan Stanley Dean Witter, Goldman's two leading investment banking competitors, both

trade at about 3.5 times book value. Goldman's equity capital stands at \$6.3bn, which equates to a rough market valuation of \$22bn.

Two years of strong profits have helped boost the capital accounts, and potential payouts, of recently elected partners. Goldman reported record pre-tax earnings of more than \$1bn for the first quarter of its 1998 fiscal year. As a result, some partners say conditions for flotation are particularly favourable. Many in the firm see this as a once-in-20-years opportunity to go public, a New York-based partner said. "If we do not do it now, then we know when the next time might be," he said.

The rapid consolidation in the financial services industry has also contributed to a rethink among Goldman part-

ners. Combinations such as Morgan Stanley and Dean Witter, and Travelers Group's proposed merger with Citicorp, are "rather large plates of food for thought for us", one partner said. Senior partners insist the firm does not intend to give up its independence but having publicly traded equity would bring advantages.

"Goldman needs to go public in order to pursue its ambitious growth strategy and its emphasis on capital-intensive principal activities," says Art Soter, financial services analyst at Morgan Stanley Dean Witter. "Its current unique capital structure could be a hindrance in buying, or merging with, a larger entity."

Yet the stakes are high. A partnership at Goldman, the largest private partnership on Wall Street, is still one of the

greatest prizes in investment banking, bringing an estimated annual remuneration of \$10m-plus. Some partners could receive pay outs of up to \$80m if the firm went public.

As a result, some conflict over the plan is inevitable. "One generation is going to cash out at 3½ times book value, instead of one times book value," said an executive at a rival firm. While strong profits may have assuaged the concerns of recently appointed partners, those who will miss out will be retired partners who have already taken out their money and younger employees who have not yet been made partner.

There are approximately 180 full equity partners, plus another 210 so-called "managing director-lites", who do not own direct equity but enjoy

some equity participation. According to sources close to Goldman, they will be involved in the flotation discussions at the June 12 meeting. The MD-lites will, through an incentive programme, be able to share in the flotation bonanza, but senior partners concede that lower-ranking executives would need to be rewarded.

People at the firm say at least one member of the ruling six-person executive committee is against flotation. The firm is separately examining how it allocates capital to its different businesses. Henry Paulson, Goldman president and chief operating officer, is due to report on this review next month. The concern about whether Goldman has enough capital - and is using it in the right way - to maintain its global position has led some to suggest that change is inevitable, with or without a flotation.



Lazio players celebrate after scoring against Atletico de Madrid in their UEFA Cup first leg semi-final in Madrid on March 31. The Rome soccer club today holds off a roadshow to publicise its offering of shares to private and institutional investors. Report, Page 19.

Bae and Dassault expand link

By David Owen in Paris and Alexander Hild in London

British Aerospace and Dassault Aviation are to form a joint venture to develop new technology that could be used in their competing combat aircraft, Eurofighter and Rafale.

The venture, expected to be agreed within a few months, will deepen a technology alliance formed between the two companies three years ago. It will be the latest in the web of links between European defence manufacturers edging the industry towards consolidation following the fall in defence spending since the end of the cold war.

European companies are in

the early stages of marketing three competing new aircraft, presenting an obstacle to rationalisation.

Britain, Germany, Italy and Spain are pressing ahead with Eurofighter, while France plans to order Dassault's Rafale and Sweden's Saab is producing the Gripen fighter.

Bae has a marketing agreement with Saab for the Gripen, and is also working with Lockheed Martin of the US on the next generation of joint strike fighter, which is expected to be ordered by the US navy, air force and marines and by the UK's Royal Navy.

Under Bae and Dassault's current informal co-operation agreement 14 French engineers

have been working at Bae's plant at Watlington, Lancashire, and the same number of British engineers have been based at Saint-Cloud, France.

Dassault said the teams were intended to work on advanced technologies to be used on whatever followed the Rafale and the Eurofighter, but both companies said it was possible some of their work might be used in mid-life upgrades of Rafale and Eurofighter.

The new venture is to produce technology demonstrators for systems that could be introduced in 15 to 20 years, either on the present generation aircraft or on the future offensive aircraft system - the next generation model.

The French government is keen to strengthen ties between Dassault and Aerospaciale, the French state-controlled group which is a partner with Bae in the Airbus consortium.

Alain Richard, defence minister, said recently he thought reinforcement of such links was essential.

A rapprochement appeared closer this month with the announcement that two more Aerospaciale executives were to join the Dassault board.

However, a link between the two has long been resisted by Serge Dassault, Dassault's head, who has indicated he would merge with Aerospaciale only if the combined group was privatised.

Ebner increases his stake in ABB

By William Hall in Zurich

Martin Ebner, the Swiss financier, has increased his stake in ABB to more than 5 per cent, in a move that could signal plans to take a more active interest in the international engineering company.

Mr Ebner's BZ Group manages about SFr30bn (\$13bn) of publicly quoted investment funds. It has raised its stake in ABB AG, a quoted Swiss holding company that owns half the Swedish-Swiss engineering conglomerate, to 11.61 per cent of voting rights, about four times the previous level.

ABB AG has a market capitalisation of SFr22bn. The stake is believed to be Mr Ebner's fourth-biggest investment after Roche, Credit Suisse and UBS.

Mr Ebner is one of Switzerland's most successful and controversial investors. He takes long-term stakes in a handful of Swiss blue chips, such as Roche, and makes a few big investments in underperforming companies where he takes an active role in engineering management.

The latter strategy paid off last year when he helped precipitate Credit Suisse's acquisition of Winterthur, an underperforming Swiss insurer, and Union Bank of Switzerland's defensive merger with Swiss Bank Corporation, its smaller but more aggressive rival.

ABB's share price substantially underperformed the stock market in the second half of 1997 because of concerns about its exposure to Asia and the indefinite postponement of Malaysia's Bakun dam project, its biggest order.

Simon Marshall-Lockyer of NatWest Markets, who predicts ABB will double earnings to \$2.5bn by 2000, says there is not much that Mr Ebner can criticise about ABB's recovery strategy.

But if ABB's long-promised acceleration in earnings growth to a steady 17 per cent a year fails to materialise soon, Mr Ebner may present a problem for ABB's new management team. It is led by Göran Lindahl, who took over from Percy Barnevik, architect of the 1988 merger of Sweden's ASEA and Switzerland's Brown Boveri.

ABB's two biggest long-term shareholders, Sweden's Wallenberg family, which controls 28.8 per cent of the Swedish holding company, and Stephan Schmidheiny, a Swiss financier who controls 14 per cent of the Swiss company, have both been selling their shares.

Last year Mr Schmidheiny left the ABB board and this month Claes Dahlbäck, chief executive of investor, the Walenbergs' main investment vehicle, also resigned.

Observer, Page 13



SIMON DAVIES
GLOBAL INVESTOR

Bond yields can go lower

How low can bond yields go?

This is more than an academic question, since it has been the driving force behind the financial market boom. In theory, there is no reason why they should not fall further. When the benchmark Japanese government bond yield went below 2 per cent last September there were gasps of awe, but it continued its decline to a low of 1.55 per cent - and it is still close to its low in spite of recent warnings from a credit rating agency.

In an era where governments are apparently becoming more fiscally responsible and baby boomers are showing an increasing propensity to save, there is the potential for a virtuous circle - increasing demand and declining supply of bonds.

One of the most positive arguments for the bond markets recently has been dwindling supply. An extended economic boom in the US and Maastricht-imposed government slumping in Europe have resulted in a substantial decline in government bond issuance, and this is the largest single category in the bond markets.

JP Morgan estimates that the net issuance of bonds by the 15 largest countries in its Global Government Bond Index will fall by \$150bn to \$245bn in 1998. In the Anglo-Saxon bloc and in Scandinavia there will be an actual reduction in outstanding debt.

points out: "I don't see the scope for real interest rates to drop dramatically from these levels. If you look at periods where there have been dramatic changes in the supply of bonds, the impact on real yields has not been marked." The period during world war one in the UK is an obvious example, but current circumstances look a little different.

Even if the reduction in supply does not have a direct impact on yields, the fiscally austere policies that are behind it have a direct influence on inflationary expectations, which drive the bond market.

Of course, a lot of this is already in the market. As the largest, oldest and most liquid index-linked bond market in the world, index-linked gilts provide a reliable proxy for global real interest rates. Since September 1992, yields have dropped by 200 basis points - or 2 percentage points - to their current level of 2.8 per cent.

Michael Hughes, director of Rating Asset Management, argues that a combination of tight fiscal and slack monetary policy has pushed real yields down to the current levels, but it is the supply of savings that will push them down further.

Certainly, there is a strong case for arguing that European economic and monetary union presents a benign combination of events. Under the stability pact, members of Euroland are supposed to aim at a balanced budget, which means no net new issuance of bonds, and

anastere fiscal policies. Furthermore, this fiscal constraint is hitting home the fact that governments can no longer afford the old style state pensions. So they must cut back on their own pension liabilities and persuade taxpayers to fill the gap through increased savings via private pensions.

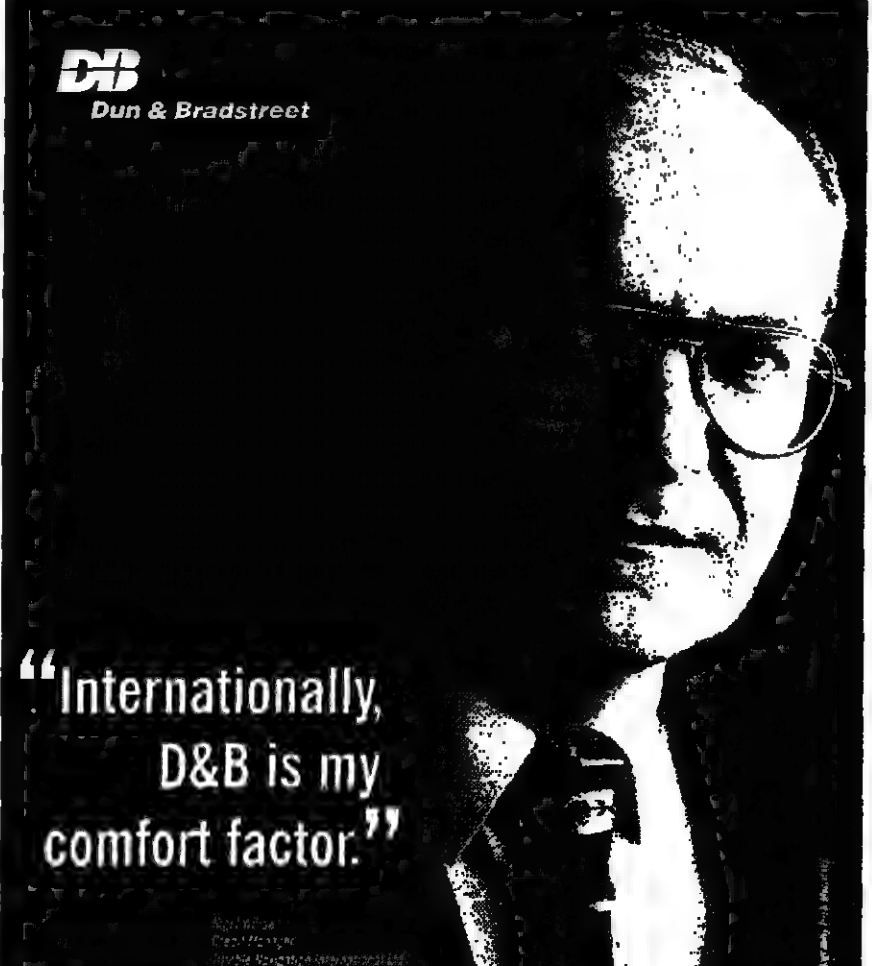
Under this combination of circumstances, there appears an argument for lower real yields in Europe, even when short-term interest rates start to nudge upwards for the core European countries.

As Mr Hughes says: "I think that we have an environment where the secular influences are now greater than the cyclical influences, as far as bond yields are concerned."

This argues for some kind of new range for real yields. If this new range is, say, between 2 and 3 per cent, you add a 0.5 per cent risk premium and inflationary expectations ranging from 1 to 3 per cent, and that gives a range for bond yields of 3.5 to 6.5 per cent.

That suggests 5 per cent yields are not such an astonishing target, and James Montier, global strategist at NatWest Markets, argues that is where US long bonds should be in a year's time.

Besides, gilt yields in the UK are still not at alarmingly low levels by historical standards. They averaged 8.7 per cent between 1918 and 1950 compared with the current benchmark yield of 5.5 per cent.



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COMPANIES & FINANCE

Liffe expected to make radical changes

By Edward Luce

The London International Financial Futures and Options Exchange (Liffe) is expected to make radical changes to its structure at a board meeting today, which could include full demutualisation.

The meeting, which follows a decision last week to cut the size of the board from 24 members to 18 and to appoint a full-time chairman with executive powers, comes in response to grow-

ing criticism of Liffe's current management.

The derivatives exchange is suffering from a tarnished reputation in the light of the success of a recent competitor, Deutsche Terminbörse, its Frankfurt-based rival.

Officials say the board will consider a number of proposals to change its governance structure, including converting Liffe into a profit-making company accountable solely to its shareholders.

Demutualisation would

mean severing the link between shareholding and membership. At the moment, all shareholders are members and vice versa.

Although Liffe is unlikely to decide on a public flotation, the exchange is planning to increase the proportion of independent directors.

Liffe's structure is considered too cumbersome to be able to respond effectively to the nimble and increasingly aggressive tactics of its continental European competi-

tors. At present, Liffe's board is dominated by member-shareholders whose interests often diverge from each other and can also clash with the broader strategic interests of the exchange.

In contrast, the DTB, which has formed a strategic alliance with Matif and Sofex, its French and Swiss-based counterparts, separates shareholding from membership. This enables the German exchange to respond more swiftly to new

trends in the market and to focus purely on maximising returns for shareholders.

Critics of Liffe - including former traders, many of whom have responded to a recent DTB initiative offering six months free access to its screens - say its complex structure has made it much easier for the DTB to steal a march on London.

The fact that Liffe's members are also floor-traders or large-scale employers of floor traders prevented the board from embracing a

move to the cheaper - and less labour-intensive - electronic system earlier than it did, say critics.

In addition to changes to its governance structure, Liffe will also agree on reductions to the exchange's budget at today's meeting, in the light of its recent decision to reduce fees from 42p per transaction to 25p. Liffe is also reviewing an earlier decision to move to a larger "open outcry" trading floor at Spitalfields in east London.

COMMENT

Italian pay-TV

So there will be competition in Italian pay-television after all. Maybe. A long-awaited announcement by RAI and Telecom Italia that they will develop a digital platform to rival Canal Plus's virtual monopoly, Telepiu, looks a classic case of the French operator remains under pressure from the Italian government to cut its 90 per cent stake, but the Italian government has stalled on price and control issues.

As the fall in Canal Plus shares showed, the threat to compete head-on may be more effective. The prospect of complete head-on competition through higher content costs, mutually assured destruction through higher content costs, and subscriber confusion could bring the French operator to heel. Then again it may not. Canal Plus does have other options. A flotation is conceivable. Other Italian media groups could buy the stake if competition authorities permit. The Berlusconi-controlled Mediaset - in on-off talks with RAI - is one possible purchaser.

If so, RAI and Telecom Italia may be left with the unappealing task of constructing a second platform from way behind in the race. Telepiu has already locked up many of the most desirable football and film rights, and consequently enjoys a growing subscriber base. The experience of TPS in challenging Canal Plus in the French market suggests they should be prepared for steamy losses ahead.

Argos/GUS

When the history of memorable bid battles is written, the latest snippet from Argos on recent trading might merit a footnote. It is debatable whether the content of the announcement will have much impact on Argos shareholders, weighing up a final 60p offer from GUS.

But allowing the announcement in the first place is arguably more important. Takeover panel consent was needed, because as it comes after day 99 in the bid battle, when both sides are supposed to silence their guns. The Argos update relates in part to trading days after this date, so it is not a case of it slipping out helpful information it has belatedly discovered. This would clearly be wrong. Still, a precedent has been set, which the panel may live to regret. Bid battles could get a whole lot noisier.

Argos in last-ditch defence against GUS

By James Mackintosh

Argos, the catalogue retailer, at the weekend launched a last-ditch defence against GUS Universal Stores' hostile £1.9bn (£8.2bn) bid after negotiating an unusual exemption from competition rules.

Argos announced sales up 13.8 per cent on last year in the three weeks to April 11, higher than the previous three months' figures. Like-for-like sales were up 7.3 per cent, against 4.6 per cent in the three months to March 21.

The company persuaded the Takeover Panel, which regulates bids, to relax its

rules to allow the figures to be published. New announcements are usually banned after day 99 of a 90-day bid. In return, GUS has been given the opportunity to increase its 60p-a-share offer or extend Friday's deadline for acceptance of the offer.

But GUS dismissed the figures as "misleading". Lord Wolfson, chairman, pointed out that the dates chosen for the new figures included Easter Saturday - a boom time for retailers - but this year excluded two of the worst days, Easter Day and Easter Monday. Last year's figures suffered through the early Easter.

F&CM gets aggressive

By James Mackintosh

Foreign & Colonial Management, the oldest and one of the biggest investment trust managers, plans to actively target trusts run by other managers that run into trouble. This dog-eat-dog approach springs from the rapid consolidation of the £50bn (£100bn) trust sector.

"We want to grow our investment trust business and we are willing to pay to do this. We would like to be a beneficiary, rather than a victim, of consolidation," said Robert Jenkins, who decided the new strategy after being appointed as F&CM's chief executive in January.

"We are not a vulture fund - but if there are beauty parades (to choose a new manager for a trust) or bidding contests we will be in there each and every time".

This aggressive strategy reflects the hard choices that have been forced on fund managers by the shake-up within the sector. Some £540m of assets vanished from the sector last year according to NatWest Markets, the first net outflow since 1990, and analysts predict there is a lot more consolidation to come. The dominant investment trust sector, the big generalist trusts, could "easily shrink by another 20 per cent" over the next 18 months or so, according to SBC Warburg

Dillon Read.

The consequent loss of fees under management means that groups which want to grow their investment trust business, will need to take the F&CM route and pay premiums for assets from trusts that are being broken up or are willing to switch managers. The alternative route of exiting the sector altogether may be taken by some groups.

"A number of managers are clearly shell-shocked and I do not think they will have the stomach to stay in there, especially if they have got [foreign] owners that are not used to the concept of closed-end funds [such as investment trusts]" said SBC Warburg Dillon Read.



Robert Jenkins: would like to be a beneficiary, rather than a victim, of consolidation

Progressive plans new vulture fund Internet access to brokers at Schwab

By James Mackintosh

Progressive Asset Management, the "vulture fund" manager, hopes to launch a fund in June to target sickly emerging markets investment trusts.

"We are talking to [institutional investors] to see what the life of the fund is with a view to marketing in May and listing in June," said Nigel Wilson, former chief investment manager of the Bank of England who will manage the new fund.

The fund will be a twin for Advance UK, the vulture fund launched last November to target trusts investing

in the UK and other developed markets. Advance UK has already had a far greater influence on the £50bn (£100bn) investment trust sector than its £4m market capitalisation would appear to warrant, being involved in shake-ups of at least two big established trusts.

The prospect of another vulture may strike fear into the hearts of investment trust managers - but is likely to cause quiet satisfaction among at least some discontented shareholders. The vultures are the most visible manifestation of a malaise within the sector that has provoked a bout of restructur-

ings, bids and wind-ups.

The heart of the problem lies in the discount between trusts' share prices and the value of their underlying assets. The widening of the discount has damaged share price performance over the past few years, causing the average investment trust to underperform the UK stock market. It has also attracted predators, drawn to a pot of about £6bn of "unrealised value", that could be realised if all the trusts in the sector were wound up.

The Advance trusts aim to buy into trusts trading on wide discounts and then team up with discontented

fellow shareholders to persuade the board to take action, up to and including wind-up, to narrow the discount.

Making profits with the new vulture fund is likely to prove tougher than with its UK fund, as Progressive admits. The average emerging markets investment trust is on a very wide discount of about 16 per cent.

But forcing such trusts to wind up will not necessarily yield a profit. The assets are often so illiquid that they would fetch much less than the stated net asset value in the "fire sale" of assets that would follow a wind-up.

Internet access to brokers at Schwab

By James Mackintosh

Instant internet share dealing for UK investors will move a step closer today, with Charles Schwab, the US-owned brokerage allowing investors direct access to its brokers.

But Schwab said direct internet access to the stock exchange's computers would not be available until the end of the year.

Schwab's new system puts investors in the same position as the company's call centre staff. Buy and sell orders from the web appear

on the screens of brokers and are executed almost immediately. Confirmation is then sent back to the investor with the price. It will also allow investors to check their portfolio and cash with the broker.

Schwab says the move represents "a new generation of technology". Mark Collier, president of Schwab Europe, said: "I have no doubt that we will change forever the shape of the retail investment market. The undoubted winner here will be the British private shareholder."



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<p>CREDIT NATIONAL US\$100,000,000 Subordinated collateralized floating rate notes 2005</p> <p>For the period 20 April 1998 to 19 October 1998 the notes will bear interest at 5.4725% per annum. Interest payable on 19 October 1998 will amount to US\$27.61 per US\$1,000 and US\$4,916.83 per US\$250,000 notes.</p> <p>Agent: Morgan Guaranty Trust Company JPMorgan</p>	<p>FORO CREDIT AUTO LOAN MASTER TRUST Series 1997-1, Floating Rate Auto Loan Asset Backed Certificates</p> <p>Due April 15, 2002 CMAA Number: 20007001500</p> <p>In accordance with the terms of the documents governing the above-mentioned Certificates, notice is hereby given that the Certificates bear interest at the rate of 5.7425% per annum for the period commencing April 15, 1998, to July 14, 1998, shall be 5.7425% and, thereafter, shall be the U.S. prime rate plus 0.50% (which rate shall be determined as of 11:00 a.m. on the day prior to the date of determination).</p> <p>THE CHASE NORTHERN BANK as Calculation Agent April 20, 1998</p>	<p>CONTRACTS & TENDERS</p> <p>Arab Republic of Egypt Ministry of Electricity & Energy Egyptian Electricity Authority (EEA)</p> <p>Two BOOT Power Plants in Suez Gulf and Shark El-Tafria</p> <p>EEA is inviting the experienced Independent Power Producers/Developers to implement two BOOT power plants in Suez Gulf and Shark El-Tafria. Each BOOT project will be 2 x 325 MW steam units capable of firing both natural gas and oil. The BOOT Project Developer will be required to design, finance, construct, own and operate the BOOT plant for an extended number of years. The developer will sell the electric power to the EEA in accordance with a Power Purchase Agreement and eventually transfer ownership of each plant to EEA at the end of the specified period.</p> <p>The Request for Pre-qualification (RFPQ) is currently available and can be obtained from the address written below, subsequent to a payment of US\$1000 (one thousand US dollars) in Cash or a Cashier Check Payable to the Egyptian Electricity Authority, Account No. 880/90/14 National Bank of Egypt (Main Branch), Cairo, Egypt.</p> <p>General Director of Central Purchases. Egyptian Electricity Authority. Abbassia, Cairo - Egypt. Tel: 2616537 Fax: 2616512/4011630</p>
<p>GBP 10,000,000 YORKSHIRE BUILDING SOCIETY Floating Rate Subordinated Notes due 1999</p> <p>Interest Rate: 8.3725% Interest Period: April 15, 1998 to July 15, 1998</p> <p>Interest Amount due on July 15, 1998 per GBP 100,000 GBP 2,072.43</p> <p>BANQUE GENERALE DU LUXEMBOURG Agent Bank</p>	<p>PARAGUAY FINANCE Corporation S.A. Guaranteed Floating Rate Notes due 2005</p> <p>For the period from April 15, 1998 to July 14, 1998 the Notes will carry an interest rate of 4.375% per annum with an interest amount of Euro 11.88 per Euro 1,000 Note, Euro 118.8 per Euro 10,000 Note and of Euro 1,188.8 per Euro 100,000 Note. The relevant interest payment date will be July 15, 1998.</p> <p>Agent Bank: BARCLAYS</p>	<p>NOTICE TO BONDHOLDERS Macronix International Co., Ltd. US\$210,000,000 1% Convertible Bonds Due 2007</p> <p>"Notice of Consolidation Date and Suspension Period"</p> <p>NOTICE IS HEREBY GIVEN that a Board of Directors meeting will be held on May 4, 1998. The Consolidation Date will be April 23, 1998. The Conversion Right relating to the Bonds is suspended from the close of business on April 23 to the Record Date 1998.</p> <p>By: The Bank of New York as Trustee</p>
<p>To Advertise Your Legal Notices</p> <p>Please contact Melanie Miles on Tel: +44 0171 873 3349 Fax: +44 0171 873 3064</p>	<p>US\$100,000,000 Espritio Sante Financial Holding S.A. Floating Rate Notes due 2000</p> <p>Notice is hereby given that for the three months period from April 20, 1998 to July 20, 1998 the Notes will carry an interest rate of 5.4725% per annum. The interest amount payable on the interest payment date, July 20, 1998 will be US\$27.61 per US\$1,000 and US\$4,916.83 per US\$250,000 notes.</p> <p>By: The Chase Manhattan Bank as Agent Bank April 20, 1998</p> <p>CHASE</p>	<p>Indian group defies</p> <p>The pre-qualification documents prepared in response to the RFPQ must be submitted to EEA before 12.00 Noon on Thursday 30/7/1998. The submitted documents will be evaluated by EEA to establish a short list of qualified developers. EEA will send the Request for Proposal (RFP) to the short listed developers inviting them to submit their proposals for the intended BOOT projects.</p>

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NEWS DIGEST

GLASS FIBRE YARNS

Owens-Corning puts non-core unit up for sale

Owens-Corning, the Ohio-based manufacturer of glass fibre and other building materials, is putting its glass fibre yarns unit up for sale. It said the division, the second largest producer of glass yarns world-wide, had sales of about \$300m last year and takes in manufacturing facilities in South Carolina and Pennsylvania. It employs about 1,500 people.

The sale comes as part of a broader strategy, detailed last year, designed to see Owens dispose of a variety of "non-core" assets, in an effort to reduce debt. It has already sold a number of other units - such as its interest in a resin joint venture and its Patco unit.

Glass yarns are used in a range of industries - from printed circuit boards, to packaging materials. The US company said it would retain the glass fibre yarns operations that are housed in its reinforcement facilities in Belgium and Ontario, Canada. Nikki Tait, Chicago

US BANKING

Merrill hires Barings man

Matthew Greenburgh is to join Merrill Lynch as co-head of the US investment bank's European financial institutions group. Greenburgh is the latest senior executive to leave ING Barings, the Dutch-owned investment bank. At Merrill, he will be co-headed with Gary Weiss, replacing Ian Brimacombe, who moves to New York to advise the bank's insurance clients globally. Clay Harris

COPPER MINING

Gold Fields suspends unit

The low copper price has claimed a new victim, with Gold Fields Namibia announcing it has suspended the operations of Taumeb Corporation and will apply to liquidate the company after heavy losses. Taumeb employs about 2,000 people at the copper mines of Kamat, Khusab Springs and Oshana and at a copper and lead smelter at Taumeb itself. It was producing 2,500-3,000 tonnes of blister copper a month.

Gold Fields, which bought Taumeb from Newmont Mining in 1987, said it had lost more than \$650m (US\$11.9m) in the six months to December last year and incurred further losses in the first quarter of 1998. Taumeb's earnings were also hit by a six-week strike in 1998 which cost it \$570m.

A rescue package remains possible. "The government seems to feel it can find someone," said Hugh Robinson, managing director of Gold Fields Namibia. "We believe there will be a rescue operation to buy the business out."

Peter Janisch, chairman, said the application to liquidate Taumeb would probably be heard in the High Court in Windhoek, the Namibian capital, tomorrow. Victor Mallet, Johannesburg

JFK AIRPORT LINK

Skanska, Bombardier contract

Skanska of Sweden, Scandinavia's largest construction group, and Bombardier of Canada have won a \$1.3bn contract to build, operate and maintain a new light rail link to service New York's JFK airport. The contract, awarded by the Port Authority of New York and New Jersey, was won against stiff competition from a rival alliance between GEC Alsthom, the Anglo-French group, and Fluor Daniel of the US.

Skanska, the lead contractor, said it was its largest order. Its share of the project will be \$600m, with Bombardier taking \$550m and other contractors sharing the balance.

The 19.5km elevated link will provide a service between the airport and Manhattan. Construction is planned to start in September, for completion early in 2003. Greg Melvill, Stockholm

UK FLOTATION

Menzies Hotels sale postponed

Menzies Hotels, a 21-strong hotel chain, has postponed its share offering on the London Stock Exchange, blaming the volatility of the sector and low offers from institutional investors. The group was aiming to raise £15m (\$25m), which would have given it a market capitalisation of about £50m.

Menzies would have been the first hotel company in an initial public offering since Jarvis Hotels, the provincial three-star operator, came to the market in 1998. Nick Menzies, chief executive, who started the company in 1982 and has bought more than half its mainly three-star hotels from receivership, said: "Our flotation marketing has obviously come at a very difficult time and investors require a deep discount on the pricing of any new issue in the sector."

But independent observers said the company could not have chosen a better time to offer shares, considering a recent boom in the hotels sector.

The company said the postponement of the share offering did not mean the cancellation of its plan to buy four hotels leased to the group by the Royal Bank of Scotland for £6.3m. Arkady Ostrovsky

ALUMINIUM

Indian group defies slowdown

National Aluminium company, India's largest aluminium group, defied a slowdown in the economy and falls in base metals prices to report a 14 per cent rise in operating profit to Rs9.38bn (\$236.4m) for the year to March. Revenues were up 8.34 per cent to Rs19.84bn.

Net profits advanced 12 per cent to Rs5.51bn but fell short of most analysts' expectations. Earnings per share rose from Rs6.82 to Rs4.27, and the dividend is expected to exceed the Rs0.80 a share paid last time.

According to S.N. Jorhi, chairman, "the export income was up 6.6 per cent to Rs8.8bn. We sold a record volume of 474,000 tons of alumina to foreign parties in 1997-98. There was a marginal fall in the export of aluminium to 55,500 tons. But since we got a good premium over the LME prices because of the quality of our metal we lifted our earnings from metal export." Kunal Bose, Calcutta

HK FUEL DISTRIBUTION

Fortune Oil to expand

Fortune Oil, the Hong Kong-based investment and fuel distribution group listed in London, will today announce a \$75m project to build a large oil storage facility in China. Its Maoming Kingming unit has signed a letter of intent with Maoming Petrochemical Corporation (MPCC) to invest in the facility, which is to be capable of storing 1m cu ft of crude oil.

MPCC, which holds a 30 per cent stake in Maoming Kingming and a 2.5 per cent stake in Fortune, is one of China's largest refineries, with annual refining capacity of 8.5m tonnes. MPCC would be the main user of the proposed facility. Maoming Kingming operates China's first large carriers mooring facility, used for discharging oil from large carriers. Fortune, whose main focus is China, is also setting up a network of petrol stations in the country and is involved in other energy infrastructure projects there. Virginia Marsh

The finger-pointing starts at Cendant

Accounting problems at the newly formed group have left it struggling to appease investors, says Daniel Böglér



The finger-pointing has started. Just a day after news of "potential accounting irregularities" knocked nearly 50 per cent off its \$30bn market capitalisation, Cendant went to the trouble of firing Cosmo Corigliano, a senior vice-president - even though he had already resigned from the direct marketing company a week earlier. Mr Corigliano had been chief financial officer of CUC International, the marketing and membership club business whose \$14bn merger with franchising group HFS created Cendant last December.

The accounting problems, which are expected to knock \$100m to \$115m, or 10-13 per cent, off profits in both 1997 and 1998, centre on CUC's membership services business, expected to generate nearly 40 per cent of Cendant's 1998 revenues.

Kirk Shelton, CUC's former chief operating officer, and Amy Lipton, the group's top lawyer, resigned on the same day as Mr Corigliano. Cendant is still being cagey about the nature and extent of the irregularities,

partly because it does not know, and an independent investigation by accountants Arthur Andersen has only just begun. However, it appears that CUC overstated profits generated by its membership clubs, such as Travelers' Advantage, which offers discounts on hotel bookings and car rentals. A 12-month membership costs \$49. But in the first year marketing and service costs amount to about \$56, according to broker Bear Stearns, producing a loss of \$7 for each new member. The payback comes in year two, when the marketing costs for renewing members - two-thirds of the total - drop away, leaving a profit of \$28, a 60 per cent margin.

However, that does not seem to have been fast enough for CUC. It appears that the company booked a big part of the membership fee upfront, while amortising the costs over a longer period, producing an immediate accounting profit.

If this is what happened, what remains unexplained is how it escaped notice both during the merger's due diligence process and while Cendant was compiling its year-end numbers.

CUC was forced to restate its earnings once before: in

1999 it took a \$51m charge after it switched, under pressure from Wall Street, from amortising member acquisition costs over three years to a more conservative one year.

But according to the company, it was only as HFS finance people took control of CUC's accounting systems

It was only as HFS finance people took control of CUC's accounting systems that the irregularities came to light

a fortnight ago that the irregularities came to light.

According to one Cendant investor, "It is bizarre that it took them four months to merge such a basic back-office function."

Henry Silverman, Cendant chief executive, is making up for lost time. As the man who built the untainted HFS and made his shareholders

rich in the process, Mr Silverman is rapidly taking full control of the company.

By contrast, the position of Walter Forbes, Cendant chairman and long-time boss of CUC, looks increasingly untenable. The relationship between the two men, who were expected to switch jobs two years from now, is already deteriorating.

Investors will undoubtedly expect heads to roll after such a calamitous drop in the share price, and some have already filed class-action lawsuits against Cendant. But there is a danger that in his attempts to appease investors, Mr Silverman will try to force CUC's laid-back culture into a more rigid straitjacket.

Disgruntled CUC executives are already starting to ask whether he is using this incident as a pretext to mount an "internal takeover" of CUC. A widening

gulf between employees of the two companies could eventually undermine the cross-marketing benefits on which the merger was based in the first place.

And there is a more immediate problem. Cendant's most valuable currency for making acquisitions, its highly-rated stock, has disappeared overnight. Even

using newly downgraded brokers' estimates, the group's prospective price/earnings ratio has shrunk from more than 30 to around 17 - a discount to the US stockmarket average. With a reasonably strong balance sheet, it should still manage to complete its \$1.3bn cash acquisition of National Car Parking in the UK.

However, there is now a big question mark over the high-priced \$3.1bn bid for American Bankers Insurance, half of which is supposed to be in stock. Cendant claims it will press ahead and simply issue more of its shares to compensate. Late on Friday, the two companies reaffirmed their commitment to the deal. But at Cendant's current \$20 share price, the purchase would dilute earnings, something Mr Silverman has promised not to do.

Cendant's reliance on acquisitions for growth will now be tested to the limit. American International Group, which lost to Cendant in the battle for American Bankers, bitterly described its rival as "a shark who has to keep swimming to avoid sinking". Mr Silverman will certainly be paddling furiously in the next few months.

VA Tech shrugs off Asia crisis

By William Hall in Zurich

VA Technologie (VA Tech), Austria's biggest engineering company, has shrugged off the problems in Asia by increasing its order intake 24 per cent, to Sch1.2bn (\$944m), in the first quarter of 1998.

Last year, its order intake was unchanged at Sch1.1bn but VA Tech said it expected this would grow this year in spite of the financial crisis in Asia - a region that has accounted for 20 per cent of its order intake over the past three years.

However, VA Tech has warned that its earnings will be flat in the current year. Last year, it increased net income 7 per cent, to Sch1.5bn - almost half the average growth rate of the past five years.

A strong performance in metallurgical engineering and energy and environmental engineering, two of its three core businesses, was offset by a 30 per cent drop in profits from plant engineering and services.

The dividend rose 7 per cent to Sch2.1 a share, compared with an average increase of 15 per cent a year between 1993 and 1997.

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Evikhon to float on Russian stock market

By Arkady Ostrovsky

Evikhon, a private Russian oil company partly owned by two quoted UK companies, is to be floated on the Russian stock market, according to Vadim Varshavsky, the new president.

The Russian company has a 50-50 joint venture with Royal/Dutch Shell to develop Salym fields in western Siberia, which have proven recoverable reserves of 1.25bn barrels of oil.

Sibir, which is emerging with its former UK parent Pentec, holds a 20 per cent stake in Evikhon and 26 per cent in Ugraneft, its associate. Dana Petroleum, another UK explorer, holds 10 per cent of Evikhon.

Mr Varshavsky said the flotation - possibly by the end of the year - could give Evikhon a market capitalisation of up to \$2bn. Western shareholders said the figure was unlikely to top \$1bn.

The appointment of Mr Varshavsky, 38, at the annual meeting last week, is part of a management shake-up that has resulted in

the resignation of Valeriy Churilov, chairman. Mr Churilov has been replaced by Vladimir Shumelko, former chairman of the upper house of parliament.

"Shareholders asked me to resign because I did not manage the company adequately," Mr Churilov said.

Mr Varshavsky is to lead a restructuring of the group - which has also been involved in cigarette imports - aimed at concentrating on oil production.

He promised transparency would be high on his agenda. "We must change the traditional attitude to shareholders in Russia as people who must give money and never ask any questions after it disappears," he said.

Mr Varshavsky also said he would propose a merger between Evikhon and Ugraneft. Evikhon has a 24 per cent interest in Ugraneft. Evikhon and Ugraneft were created by Mr Churilov, a former Soviet chief in the oil-rich Khabarovsk region in western Siberia.

To finance the region's development, Evikhon was

given tax breaks by the Russian government to import tobacco products under licence from Philip Morris. But in 1996, the government cancelled the tax break on tobacco imports and froze Evikhon's accounts, demanding a full payment of accumulated duties.

Last month, Evikhon unveiled liabilities of \$180m connected to the tobacco imports, sending the shares in Sibir and Pentec down by more than 25 per cent.

Mr Varshavsky said the frozen account had been reopened and the \$180m debt restructured.

The development of the Salym fields, however, depends on a production sharing agreement, which is still to be passed by the Duma, the lower house of parliament.

Mr Varshavsky said he was hopeful the main oil from the Salym field would start flowing by 2000. He said the field, which has already consumed about \$100m, partly at Shell's expense, requires additional investment of \$80m.

Earnings slip at General Motors

By Nikkai Tait in Chicago

General Motors' solid performance at its North American operations failed to fully offset a downturn in earnings from the components and overseas businesses, prompting the biggest of the three Detroit-based carmakers to report a dip in first-quarter profits to \$1.6bn after tax compared with \$1.7bn a year earlier.

After adjusting for the sale of the Hughes defence business, the 1997 figure would have been \$1.69bn.

Like Ford and Chrysler, its main US competitors, GM's results were slightly ahead of analysts' expectations. At an earnings per share level, the company made \$2.27 on a fully diluted basis, compared with \$2.21 (adjusted for the sale of the Hughes defence business). According to First Call, expectations had averaged about \$2.25 a share.

But the shares still fell on Friday, by \$1 1/2 to \$68 1/2, as analysts worried about the effect of rising marketing costs. GM said its North American business notched up \$326m after tax, a quarterly record, and up from \$764m in the first three months of 1997 - in spite of a highly-competitive marketing environment, where incentives remain at high levels.

Michael Losh, finance director, warned that GM expected incentives to intensify in the second quarter, but anticipated some reduction in the rest of the year.

During the first quarter, GM's domestic market share was held at 30.2 per cent, in spite of having delivered a reduced number of vehicles. GM, which recently raised its cost-cutting target for 1998 to \$4bn, said it squeezed out an additional \$1.3bn in the first quarter alone.

But these cost-saving were partly offset by the higher marketing expenditure and a lack of volume increase, with the result that the domestic net margin improved only slightly, from 3.1 to 3.3 per cent.

In contrast to the North American result, overseas operations saw earnings fall from \$282m to \$180m. European business was little changed, making \$99m against \$94m, but South America and Asia-Pacific turned in a sharply-reduced \$61m, compared with \$168m.

Caterpillar up 9% after tax

By Nikkai Tait in Chicago

Caterpillar, the largest manufacturer of earth-moving equipment, shrugged off the turmoil in Asia-Pacific, to announce record first-quarter results, reporting an after-tax profit of \$430m, up 9 per cent over the \$394m made in the same period of 1997.

The results translated into fully diluted earnings per share of \$1.15, up from \$1.03 a year ago, and ahead of analysts' estimates.

Sales rose 12 per cent year-on-year to \$4.79bn, with simi-

lar rates of increase both inside and outside the US, while volumes increased by a like amount.

Within the domestic market, the sales increase was driven by rising highway spending, higher demand from construction and agricultural-related sectors, and increased purchases by the forestry sector.

By contrast, sales to the metals mining sector declined, reflecting the fall in most prices there.

Machinery sales rose in Europe - excluding the UK, which saw a decline - and in Brazil, Peru and Chile. Can-

ada and Australia also generated increases.

But Caterpillar said that there was a "sharp" downturn in Asia (excluding Japan), and that Japan itself saw a continued decline as recessionary conditions persisted.

Group sales volumes were also down by about 10 per cent between the fourth quarter of 1997 and the latest quarter, largely because of lower machine and engine sales outside the US.

The revenue increase was cited as the main factor behind the first-quarter profit rise. However, Cater-

pillar acknowledged that operating profit margin on machinery and engines declined by a full percentage point, to 12.5 per cent, compared with the first quarter of 1997.

The fall was attributed to spending on product line extensions and additional product support.

Nevertheless, Caterpillar added that it believed the outlook for the full year had not changed significantly, and that sales in 1998 overall should slightly exceed last year's levels, with the profit result being "near that of 1997".

Japan key to Asia-Pacific

The US manufacturer is not optimistic about the region's performance, writes Nikkai Tait

In the eyes of Doug Oberhelman, Caterpillar's finance director, Japan remains the big imponderable that hangs over the future of the Asia-Pacific region, at least for the medium term.

"Japan is having a rough year... There's just no growth there and it is very problematic for the rest of Asia," he said in a recent interview. "How they handle the domestic situation there will have a great influence on the rest of Asia. So we are watching that very closely, but we are not very optimistic this year."

When the Asian turmoil developed last year, Caterpillar was quickly earmarked by Wall Street as a front-line casualty.

At face value, this was hardly surprising: about 15 per cent of the US company's revenues were being drawn from the region, and a downturn in Asian infrastructure work seemed likely to decimate machinery demand there.

To a large extent that has happened - yet the company's structure has offered two protections.

First, sales to end-users are handled via a relatively small number of large dealers, so that machinery, now suddenly surplus, has tended to sit in their facilities, rather than at the company itself.

Second, Caterpillar's Japanese operation, which supplies both the local market and exports into south-east Asia, is a 50-50 joint venture with Mitsubishi, and hence off-balance sheet. This means its results are not consolidated into group profits.

Even so, the strains are



Digging in: Imports of new machines into Malaysia, Thailand and Indonesia have dropped precipitously

obvious. "The import of new machines into Malaysia, Thailand and Indonesia has dropped precipitously," says Mr Oberhelman. "Across those countries, we think the industry could drop by a third to a half before it's all over."

"The vast majority of that product comes out of the Japanese joint venture, which is a \$8bn company with 8,000 employees. But that doesn't make it any easier to manage that joint venture. They've got their problems trying to size that business to the current level of activity, and we expect

them to give us a return on assets that is acceptable."

"The good thing about the Japanese business is that it was running huge levels of overtime - so that's the first thing that goes away. Many of its inputs are outsourced, so suppliers bear the effect as well."

Mr Oberhelman admits that in the region, Caterpillar's dealers - which tend to act on a nationwide basis - are hurting badly. "They are going through some tough times. They have a lot of inventory."

Caterpillar says it is trying to "rechannel" some surplus machines. It also admits to some refinancing of dealer inventories through its Cat financial subsidiary, although Mr Oberhelman claims the company will "do its damndest" not to subsidise the stock.

Still, Wall Street's reappraisal of Caterpillar shares plainly rankles. "The thing that offends me sometimes is that these short-term Wall Street thinkers think we have never been through this and do not know how to do it," he says.

"This is just one in a litany of these things all over the world. I lived in South America in the early 1980s and went through one that was a lot worse than this is going to be and it wasn't the end of the world. I think if you objectively look at what we're trying to do, assuming no more serious activity than we've seen, we will be all right."

In part, this belief is based on the improving conditions in other parts of the world and the solid US market. But Caterpillar, like many other US manufacturers, is also benefiting from falling materials prices - a trend that the recent economic turmoil has helped sustain.

"1998 will be, I believe, the fourth year in a row that we have seen a net materials cost reduction," says Mr Oberhelman.

"We are not only beating inflation, but we are seeing a net price reduction in the cost of inputs - whether steel, tyres or glass. The only bad news is that we do not have much of an inflationary environment for our product."

SNB to start trading repurchase agreements

By William Hall in Zurich

Switzerland, which is fast becoming one of Europe's more heavily indebted countries, is launching a repo market in a bid to boost the liquidity in its money markets and give the Swiss National Bank a new monetary policy tool for creating and siphoning off liquidity.

The Swiss National Bank, the country's central bank, which has led the initiative, will start trading today a simplified repo, known as RepoLight, with a limited number of banks.

The new instrument will replace the SNB's traditional swaps with federal money market debt register claims (MMRDCs), and a full repo market will be launched at the end of September.

Switzerland is one of the last financial centres to introduce a market for repurchase agreements (repos) which allow banks to borrow money on their securities portfolios provided they repurchase the paper at a future date.

A combination of tax and legal disadvantages, the low borrowing needs of the Swiss government, and the dominant role of the big three Swiss banks in the Swiss money markets, has delayed the introduction of a Swiss repo market.

However, the Swiss government, keen to strengthen Switzerland's position as a financial centre, has decided that repos will not be subject to stamp duty and has revised the banking law to allow the SNB to enter into repurchase agreements.

Meanwhile, the imminent merger of UBS and Swiss Bank Corporation, two of the big three Swiss banks, threatens to reduce the pool of liquidity in the Swiss money markets and the SNB has been pressing for the launch of a repo market to widen the number of participants with which it can deal.

Sega, the Swiss securities clearing system controlled by the Swiss banks, will manage the securities of the repo participants and eliminate settlement risk. It will

also be possible to trade repos on the Swiss stock exchange.

The US, which has a \$2,000m repo market, accounts for 70 per cent of the worldwide repo business and most European central banks use repos as their chief monetary policy instrument. It has been estimated that the Swiss repo market could reach \$200m-\$300m (\$3.3m-\$6.7m) within a year.

However, it will partly depend on the SNB's enthusiasm for making the repo market its chief monetary policy instrument.

At the moment it meets the basic long-term liquidity requirements of the banking system by means of foreign exchange swaps. This is an extremely liquid market but has a limited number of participants and exposes the SNB to counterparty risks.

The growth of a repo market, permitting transactions as small as \$50m, should increase the number of participants with which the SNB can deal.

ABN-AMRO Holding N.V.

established in Amsterdam

GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders of ABN AMRO Holding N.V. will be held at 22 Foppengadreef, Amsterdam-Zuidoost at 2.00 p.m. on Wednesday, 6 May 1998.

Abbreviated agenda

- 1 Report of the Managing Board for the year 1997.
- 2a Approval of the 1997 annual accounts adopted by the Supervisory Board.
2b Discharge of the members of the Managing Board and Supervisory Board in respect of their management and supervision.
- 3 Report referred to in recommendation 29 of the Corporate Governance Committee.
- 4 Proposal to increase the annual fixed remuneration of Supervisory Board members.
- 5 Report of the Shareholders' Committee.
- 6 Authorisation of the Managing Board to have the company acquire shares in its own capital.
- 7 Authorisation of the Managing Board to issue shares and to restrict or exclude pre-emptive rights.
- 8 Any other business.

The full agenda with notes and the annual report for 1997, including the financial statements, are open for inspection from 3.00 p.m., 20 April 1998, and may be obtained free of charge at the company's office on 595 Herengracht, Amsterdam, and the main foreign offices of the bank mentioned below.

All shareholders and holders of depositary receipts may attend the meeting either in person or by proxy authorised in writing, provided the holders of bearer shares and depositary receipts have deposited their share certificates and depositary receipts respectively at one of the following banks not later than Wednesday, 29 April 1998:

In the Netherlands: ABN AMRO Bank N.V.,
In the United Kingdom: ABN AMRO Bank N.V. London,
101, Moorgate

Holders of registered shares wishing to attend the meeting either in person or by proxy authorised in writing must inform the Managing Board of the company in writing of their intention to do so (P.O. Box 600, 1000 AP Amsterdam, the Netherlands). Such notice must have been received by the Managing Board not later than 29 April 1998. Persons other than shareholders and holders of depositary receipts who are entitled to attend the meeting must also notify the Managing Board of the company in writing of their intention to do so at the above-mentioned address. Such notice must have been received by the Managing Board not later than 29 April 1998.

The receipt in exchange for the deposited shares or depositary receipts will serve as the attendance card for the meeting. The holders of registered shares, who have informed the bank on time of their intention to attend the meeting, will receive an attendance card by post.

The report referred to in article 14 of the Trust Conditions of Stichting Administratiekantoor ABN AMRO Holding on the activities performed by the Trust Office during the year under review is included in the company's annual report.

The Managing Board
Amsterdam, 20 April 1998

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Notice to the holders of the outstanding

SK Chemicals Co., Ltd.
(Incorporated in the Republic of Korea with limited liability)
U.S. \$40,000,000
1.50 per cent. Convertible Bonds due 2005
(the "Bonds")
of
Sunkyo Industries Limited
(the "Company")

NOTICE IS HEREBY GIVEN to the holders of the Bonds that the Name of the Company was changed on the date of 1st April, 1998 to SK Chemicals Co., Ltd. by the resolution adopted by the Shareholders' Meeting of the Company held on 27th March, 1998.

Therefore, all the liabilities and rights to the holders of the Bonds have been transferred by the Name of SK Chemicals Co., Ltd. effective from 1st April, 1998.

30th April, 1998
SK Chemicals Co., Ltd.

FORD MOTOR CREDIT COMPANY
U.S. \$300,000,000
FLOATING RATE NOTES due April 10, 2001

In accordance with the provisions of the above mentioned Notes, notice is hereby given as follows:

Interest Period: January 12th, 1998 to April 14th, 1998 (92 days)
Interest payment date: April 14th, 1998
Interest rate: 5.8375% per annum
Coupon amount: US \$ 149.18 per note of US \$ 10,000
US \$1,491.81 per note of US \$ 100,000

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BANQUE INTERNATIONALE A LUXEMBOURG

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Lazio kicks off roadshow for offering

By Paul Betts in Milan

Lazio, the Rome soccer club, will today kick off its roadshow to publicise its offering of shares to private and institutional investors.

The club, currently third in the premier Serie A league, will be the first Italian team to offer shares on the stock market.

After receiving the go-ahead from Consob, the Italian stockmarket watchdog, the club owned by the Cirio tomato sauce and food group plans to offer 20m shares in the L4,500 to L6,500 a share price range.

At the highest end, the offering would raise L180bn (\$37m) and give the club a market capitalisation of between L200bn and L250bn.

The operation involves the issue of 10m new shares and the sale of 10m existing shares. An additional 2.5m shares will be offered in a so-called "green shoe" option in the event of heavy demand.

Once the operation is completed, nearly 50 per cent of the club's shares will be in the market, although Sergio Cragnotti, chairman and controlling shareholder of Cirio, will retain control.

The club, whose president is Dino Zoff, the former Italian goalkeeper, will take its roadshow to Milan, Rome, London and Edinburgh before pricing the shares at the end of the week.

The shares will be on sale on April 27 and April 28 and

the club, advised by the Rome IMI investment bank, hopes to make its debut on the stock market on May 4.

The offer's short timetable reflects the club's anxiety to complete the move before it plays AC Milan in the Italian cup final on Wednesday April 29 and Inter Milan in the final of the UEFA cup in Paris on May 6.

In its prospectus, Lazio warned of the risks of investing in a soccer club because stock market performance could clearly be influenced by its performance on the pitch.

It also stated that Mr Cragnotti was involved in various judicial cases concerning alleged fiscal irregularities and falsifying accounts.

The club reported it had made a meagre net profit of L251m on revenues of L77.35bn in the financial year ending June 1997.

However, Lazio's debut on the Milan bourse has already caused widespread interest and excitement in soccer-crazy Italy and is expected to be followed by other listings of well-known clubs, including Bologna, Inter Milan, Juventus of Turin and AC Milan.

Lazio intends to develop revenues from merchandising, sponsorships and television rights along the lines of UK clubs. It expects revenue to increase in its current financial year to between L125bn and L130bn, growing to L164bn in 2000 and L205bn in 2002.

EMERGING MARKETS LAST QUARTER'S WORLD BEATING PERFORMANCE WILL NOT BE REPEATED

Business as usual for Thai market

By Ted Barnacke in Bangkok

After providing some of the highest returns in the world last quarter - 53 per cent in dollar terms - the Thai stock market has returned to normal. "As in normally bad," says one broker.

The bounce came when investors recovered from their shock at the collapse of the Thai economy and recognised that the new Thai government was putting the country on the long road to recovery.

With the current account turning to surplus and the government being praised as the International Monetary Fund's model student, the baht recovered from its low of B57 to the US dollar to its current level of about B40 to the dollar, magnifying the surge of more than 200 points in the main Bangkok Index.

But since a high was reached in February, the market has slipped back in baht terms it is now up only 17 per cent on the year.

Volume is pitiful and recently, most of the action

has been in the single-digit stocks (those priced at less than their B10 par value per share, where small movements can generate big gains). Small sales of big capitalisation stocks cause huge jerks in share prices.

"Fund managers made their money for the year in January and February," says Andrew Henderson, managing director of Clarion Securities in Bangkok. "There is no reason to be in the market again until all these companies with no cash sort themselves out."

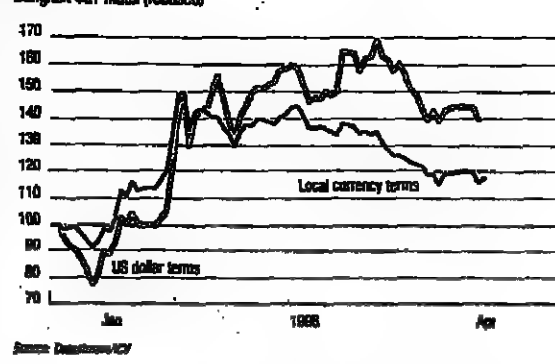
That process will take months and will not be resolved until several issues that dominate the market are resolved.

For those making longer-term bets in Thailand, it is still extraordinarily difficult to find proxies that meet the needs of traditional investment schemes, says Dresner Kleinwort Benson in a recent report.

The main issue is interest rates.

A common assumption had been that once the baht stabilised, as it has, interest rates could be gradually lowered.

Thailand Bangkok SET Index (right-hand)



ered. If anything, the opposite has happened as Thai authorities struggle with the B4,100bn (\$2.9bn) mess left by the previous government's reckless lending to insolvent financial institutions.

To finance that lending, the Thai central bank borrowed heavily from the stronger domestic banks and lent the proceeds to the struggling smaller banks and finance companies.

Although its new lending has tailed off, the central bank does not have the

money to pay back its domestic bank creditors and therefore must continue to borrow from them at interest rates of at least 18 per cent.

As a result, Thai banks will not lend to the corporate sector for less than 24 per cent, if at all. The government has pledged to restructure the central bank's balance sheet, but that is not likely to happen until the second half of the year.

Once that restructuring takes place, margins at commercial banks, which dominate the market, are expected

to collapse as their risk-free lending to the government disappears. In addition, under new central bank guidelines, banks must make hefty new provisions for growing non-performing loans.

As a result, few brokers expect banks to report any profits in the next two or three years. Any big capital raising by banks - Bangkok Bank is expected to raise close to \$1bn in international equity markets following \$537m raised by Thai Farmers Bank in late-March - will go straight into provisions.

Even the bright light created by exporting companies, which had become market darlings earlier in the year, is starting to fade. With the baht appreciating, exporters that cut prices and margins to win market share and volume may be caught out if they have not hedged their dollar expenses.

Says one bank treasurer: "The baht may be at a level where it is too strong to really help the exporters and yet too weak to induce major capital inflows."

AIG linked with Aoba Life deal

By Matthew Horton in Tokyo

AIG, the US-based international insurance group, has reportedly offered to take over Aoba Life Insurance of Japan.

Aoba was set up last year to take over most of the business of Nissai Mutual, a medium-sized life company that collapsed in April 1997. The company was formed with injections of capital from other Japanese life companies in a rescue operation arranged by the Life Insurers Association of Japan.

Neither AIG in Tokyo nor the association would comment on the possible deal on Friday, but observers said it would be a logical step.

"It makes a lot of sense for large international insurers to look at what is going on in the Japanese market as an opportunity to get a foothold in the world's life assurance market," said David Thredgold, financial sector analyst at ING Barings in Tokyo.

The Japanese life sector is effectively insolvent, after years of paying higher returns on policies than investment returns could justify.

Some members of the Life Insurers Association are thought to oppose the idea of a foreign company taking over Aoba, but no domestic group has shown an interest and companies in its corporate grouping, including Hitachi and Nissan Motors, failed to come to the rescue of Nissai Mutual at the time of its collapse.

Eva Airways avoids reporting loss

By Laura Tyson in Taipei

Eva Airways, Taiwan's second largest international carrier, suffered foreign exchange losses last year from Asia's currency turmoil, but in contrast to other carriers in the region, passenger volume was only slightly affected.

The company, which plans

to list on Taiwan's over-the-counter stock exchange later this year, reported net profits rose 28 per cent in 1997 to US\$23m on turnover of US\$1.4bn, up 8.4 per cent.

Industry analysts warned, however, that the profits figure was misleading because the carrier sold several of its own aircraft and leased them back again in late 1997 to

mitigate paper foreign exchange losses.

This manoeuvre prevented the company from having to post a loss, which could have delayed flotation plans by one or two years.

Eva also announced a code-sharing pact with US West, which should expand its reach in the US.

Like other carriers in Asia,

Eva began to feel the effects of the region's financial crisis in late 1997. But apart from a 15 per cent fall in the local currency, Taiwan's robust economy has suffered little damage from the financial crisis that has devastated much of east Asia.

Eva's heavy dependence on Taiwanese passengers, once seen as a barrier to

growth, turned out to be a life-saver, as Eva's traffic has been relatively stable through the crisis.

"Taiwanese international carriers - except China Airlines - have not suffered as much as the other regional carriers, because their customer base is mainly from Taiwan," said analyst Josh Davis at CSFB.

Flat first quarter for SGS-Thomson offshoot

By David Owen in Paris

SGS-Thomson Microelectronics, the Franco-Italian semiconductor manufacturer, has produced flat first-quarter profits while restating its forecast of brighter days ahead.

Net income for the three months to April 4 1998 was \$90.2m, little changed from the \$90.5m generated in the period to March 29 1997.

Pasquale Pistorio, chairman and chief executive, said business conditions had been similar to those at the end of last year, with excess capacity in the industry and financial weakness in parts of Asia further affecting demand. But he said he expected industry overcapacity to come into balance "some time in the second half of 1998".

The present year should be one of "progressive financial and operating improvements... led by sales of new

products, improved product mix, manufacturing efficiencies and price recovery once demand and capacity reach a better equilibrium".

The market reacted favourably to the announcement, with the company's shares ending the week at FF451.30, an advance of FF20.30, or 4.4 per cent, in Friday's trading. This compared with a 0.4 per cent gain for the benchmark CAC 40 index.

The company had nothing to say on prospects for a new public offering of its shares. It disclosed last October that it was considering such a step, which was expected to include a primary offering of newly issued shares and the placement of convertible debt, as well as a secondary offering of some 18m shares.

Net sales climbed from \$940.5m to \$998.3m, while operating income edged ahead from \$113.5m to

\$114.9m. Earnings per share were unchanged at 56 cents.

Mr Pistorio described the first quarter of 1998 as a period of solid financial performance for the company in a difficult environment for the industry. The company was particularly pleased to have achieved first-quarter net income comparable to the previous years.

Year-on-year revenue gains were achieved by all main product groups except memory products, which were hit by "continued industry-wide pricing pressures". By application, the strongest performances came from the automotive and telecoms sectors.

Research and development spending rose 17 per cent year-on-year to \$168.4m, equivalent to 16.6 per cent of net revenue. Capital spending registered a substantial increase, rising from \$181.9m in the first quarter of 1997 to \$285.4m.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Allianz (Germany)	AGF (France)	Insurance	\$4.9bn	Clear control
CAW (UK/Telecom Italia)	Asset swap	Telecoms	\$5bn +	Cements relations (Italy)
Clear Channel (US)	More (UK)	Advertising	\$784m	Lobbying MPs
Teach Data (US)	Computer 2000 (Germany)	Empir. svcs	\$395m	Global milestone
Stiebe (UK)	Simulation Sciences (US)	Control systems	\$147m	Cash tender
MUI (Malaysia)	Laura Ashley (UK)	Retailing	\$72m	40% stake
Ameron Int'l (US)	Unit of Ordo Int'l (UK)	Paints	\$48m	Focus disposal
De La Rue (UK)	Cellograf (Italy)	Cash systems	\$11m	Smart card move
Perkins Foods (France)	La Magicien Vert (France)	Food	\$10.7m	Performance link
Mitsubishi Chemicals (Japan)	Disol (Germany)	Chemicals	n/a	Hoechst disposal

Compagnie Générale des Eaux

Incorporated in France with limited liability and issued capital of FRF 13,459,350,300
Headquarters: 42 avenue de Friedland, 75008 Paris, France
Registered in Paris under no. 780 129 961

Notice of Meeting

Holders of Compagnie Générale des Eaux March 1997/April 2003 Equity Linked zero coupon bonds are invited to attend the General Meeting of Bondholders to be held at the Company's head office on Tuesday, May 5, 1998 at 3:30 p.m. The agenda of the meeting is as follows:

- Report of the Board of Directors on the sale of the Compagnie Générale des Eaux business consisting of the management of a portfolio of media, publishing and communication securities and real estate holdings to Havas Media Communications (HMC), in exchange for HMC shares, HMC became a subsidiary of Compagnie Générale des Eaux following the absorption of Havas.
- Approval of the sale.
- Powers to carry out formalities and to file the documents relating to the Meeting.

Formalities to be completed to entitle bondholders to attend the meeting:

- Registered bondholders must be recorded in their name in the Company's register at least five days prior to the date of the Meeting.
- Holders of bearer bonds are required to transmit to the banks and credit institutions that participated in the bond issue, for receipt at least five days prior to the date of the Meeting, a certificate issued by their bank, broker or other intermediary, stating that the bonds have been placed in a blocked account preventing their sale prior to the date of the meeting.

Admission cards and forms of proxy are available on request to holders of registered bonds.

The text of the proposed resolutions and the Board of Directors' report are available for consultation by bondholders at the Company's head office.

The Board of Directors

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Two new indices for Hong Kong shares

By Louise Lucas in Hong Kong

Today sees the launch of two new stock market indices in Hong Kong, including a bumper Hang Seng 100 Index that brokers believe will eventually replace the existing index.

While HSI Services, which is responsible for Hong Kong's Hang Seng Index and other indices, has already improved the mix of the benchmark index, the new 100-strong barometer will provide a better reflection of the diversity of the market.

The move is a timely reminder that changes in Hong Kong's political and economic landscape have also had an impact on the stock market. The Hang Seng Index, with 33 stocks, is almost 30 years old and, according to Michel Dominici, analyst at Credit Lyonnais Securities Asia, was "showing increasing signs of obsolescence".

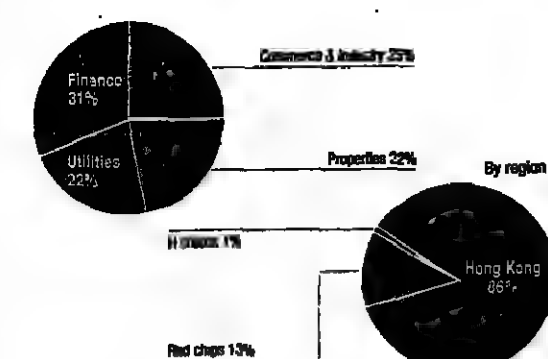
Jardine Matheson, the British-controlled conglomerate that played a pivotal role in Britain's seizure of Hong Kong more than 150 years ago, no longer trades its shares in the territory. The departure of the five-star stable of Jardine companies prompted the first big shake-up of the Hang Seng Index in 1994 and 1996.

In July 1998, the first H-share company - mainland state-owned enterprises with Hong Kong listings - appeared on the market. In August 1994, H-shares received their own index: today's launch will be the first time H-shares have been tracked within a general index.

However, the real inadequacies of the HSI were thrown up in August 1997, at the height of the red chip frenzy. Red chips, or China-backed Hong Kong companies, were attracting hefty turnover and the Hang Seng

The new Hang Seng 100

By sector



Source: HSI estimates

Index covered less than a quarter of trading volumes.

The hand-over frenzy was too great for HSI Services to ignore, and at the beginning of this year two of the biggest red chips, China Telecom and Shanghai Industrial, the window company for Shanghai's municipal government, were slotted into the Hang Seng Index.

However, the Hang Seng Index has continued to draw fire. Investors resent the heavy weighting of single companies through cross-holdings: for example, Li Ka-shing's Hutchison Wharfedale accounts for about 9 per cent of the index, but its exposure is higher through holdings by other parts of Mr Li's corporate empire.

It also has a strong bias towards big capitalisation stocks: HSBC's weighting accounts for more than one-quarter of the index, which can thus be swung on the bank's performance.

"The Hong Kong market is undergoing profound changes, and questions have emerged as to whether the HSI, as well as the selection criteria determining its position, adequately reflect these changes," said Mr Dominici. "More specifically, the bias toward large companies, the

over-representation of the banking and property sectors, the too-small coverage of the market volume and the under-representation of the Chinese issues are the most common areas presented as potential weaknesses of the HSI."

With the launch of its Mid-Cap 50, which has been restructured to prevent overlap with the HSI 100, HSI Services is addressing one of the fastest growing and most diverse parts of the Hong Kong stock market.

The moves come at a time when Hong Kong's investor profile is also due for a shake-up. Retail buyers have been typically accounted for up to half stock market activity, and performance is heavily driven by sentiment.

Now there are new players: local institutional investors that will be brought in by the pending Mandatory Provident Fund, creating pools of retirement funds.

"The new MFF law will probably require 30 per cent of the funds being invested in Hong Kong dollar assets, creating a large demand for Hong Kong equity benchmarks. We expect domestic investors, like international investors, will prefer the HSI 100," Mr Dominici said.

NCR in \$300m Japan deal

By Paul Mirallem in Tokyo

NCR, the US data warehousing and computer group, yesterday announced plans to acquire the 30 per cent of NCR Japan that it does not already own.

The deal, worth more than \$300m, could herald a wave of mergers and acquisitions among Japan's second-tier companies, many of which are trading near or below break-up value.

NCR Japan is one of 138 non-financial companies on the first section of the Tokyo stock exchange with net cash. It is also among the 20 per cent of fully-listed companies with a market capitalisation less than 1.5 times their break-up value, according to brokers SBC Warburg.

"At current values, in a normal market, about 40 per cent of Japanese companies would be vulnerable to a takeover because they can be acquired for less than five years' cash flow," said Kevin Hebrner, strategist at SBC Warburg. "There remain significant barriers in terms of cross-shareholdings and disclosure, but we expect a few successful takeovers to occur soon."

NCR, based in Dayton, Ohio, is offering ¥907 per share for the 66m shares. The price represents a premium of 25 per cent over the April 16 share price, and a 30 per cent premium to the average price over the past three months. Nomura, the Japanese broker, is handling the tender, which closes on June 3. The shares peaked in 1998 at ¥2,620.

The US company is offering \$300m, or about ¥40bn, for the outstanding shares. In December last year, NCR Japan had net cash of ¥29.6bn (\$296m). NCR said that if the tender was completed there would be no restrictions on how NCR Japan's cash could be used.

Last year, NCR Japan posted net profits of ¥4.1bn on sales of ¥111.4bn. The deal values the whole company at about ¥138bn, or 1.3 times sales and 33 times earnings.

NCR said no purchase would be made if less than 15 per cent of the outstanding stock was not tendered. Other leading shareholders in NCR Japan include Mitsubishi Trust and Mitsubishi Trust.

In a separate move, the US group announced it was launching a \$200m repurchasing programme of its own shares.

DERIVATIVES MARKET TO DECIDE BETWEEN EURO LIBOR AND EURIBOR

Benchmark battle heats up

By Samer Iskander and Edward Luce

The establishment of a widely recognised benchmark for European short-term interest rates is becoming a pressing issue in the run-up to next month's meeting of the founding members of European economic and monetary union.

Two rival groups, the British Bankers Association on the one hand, and the European Banking Federation and the Association Camibiste Internationale (representing the foreign exchange business) on the other, are fighting to impose their reference rates - Euro Libor and Euribor, respectively.

So far, only the London International Financial Futures and Options Exchange and its French rival Maff have chosen their benchmarks. The first will adopt Euro Libor and the second Euribor.

Richard Pratt, director of external affairs, says Libor's decision reflects the wishes of market participants.

"Libor is at present the reference rate of banks all over the world," he says. "Even Chicago uses Libor as its euro-dollar reference."

It is too early still to predict which of the two rates will dominate, but analysts believe the market will ultimately have to choose.

"We may well see split allegiances for some time, but the market is bound to converge on one benchmark eventually," says Paul Daniel, head of fixed income for Europe at Morgan Stanley Dean Witter.

The main differences between the two rates stem from the choice of participating banks. The Euribor index will be an average of rates quoted by some 60

banks from every EU country (and a handful of overseas banks).

The Euro Libor rate will be compiled and published by the British Bankers Association in the same manner as Libor rates on existing currencies. The Libor rates are averages of between eight and 16 lending rates, representing only the most creditworthy banks.

Analysts believe that because the Euribor panel will contain some banks with low credit ratings, the reference rate could incorporate a risk premium, which would set it higher than the Euro Libor benchmark.

"Credit will be one of the main elements that will drive the spread between Euribor and Euro Libor," says Paola Lamedica, a global bond strategist at Paribas.

Ms Lamedica also points out that liquidity considerations could add another - hidden - premium to Euribor, in the form of wider spreads between bid and offered prices.

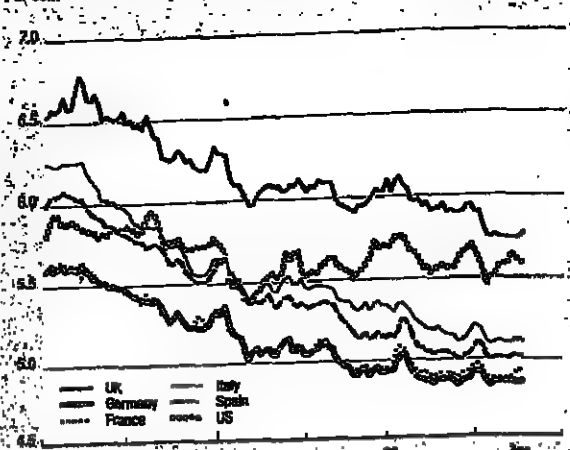
"London-based banks are clearly in favour of Libor," says one analyst. "But in continental Europe, there is a very strong political will to make Euribor succeed. The outcome of the battle will depend on whether market forces or political pressure prevails."

However, some bankers in London are relaxed about the possibility of a switch to the continental reference rate. "On the face of it, there's barely any difference between the two," says one senior investment banker in London. "What it really boils down to is political prestige. The technical differences are cosmetic."

Not surprisingly, the Bank of France has put explicit pressure on French banks to

10-year benchmark bond yields

Per cent



adopt Euribor, while the Bundesbank is believed to have applied some pressure on German banks, although more discreetly. In contrast, authorities in the UK believe the case for Euro Libor speaks for itself.

"The onus is on the proponents of Euribor to say why the market should abandon a system that already works very well," says one banker. "Nobody has ever suggested Libor was based on inaccurate."

London bankers also point out that Libor will continue to be the reference rate for all euro-dollar swaps.

Although there is no logical reason why the markets should ignore an alternative system for the European single currency, the prominence of dollar Libor will act as an advertisement for Euro Libor.

In addition, the International Swaps and Derivatives Association has recommended that market players retain Libor for contracts that expire after January 1999, when Ecu begins.

However, ISDA has refrained from recommending one or other reference rate for new contracts.

"It would be an enormous effort for banks to renegotiate existing contracts into Euribor," says one banker. "Which reference people choose for new contracts is a different matter."

The Deutsche Terminbörse, Europe's second largest exchange after Libor, has yet to choose its benchmark, and its decision could tilt the balance.

On the one hand, the DTB's existing three-month euro-mark contracts are based on Libor, which makes euro Libor seem the most convenient choice. On the other hand, DTB's alliance with Maff makes it tempting to adopt Euribor in order to create a critical mass by pooling French and German users after the merger of the two countries' currencies.

The DTB, also, is not immune to political pressure should the Bundesbank become more vocal in its support for Euribor.

Brazilian tribunal rules Metropolitana sale valid

By Geoff Dyer in São Paulo

Brazil's Superior Tribunal de Justiça (STJ) has ruled that the sale last week of Metropolitana, the largest electricity distribution company in Latin America, was valid, despite an attempt by a senior judge to have the auction annulled.

Antônio de Padua Ribeiro, president of the STJ, one of the country's highest courts, overruled two injunctions issued by the São Paulo state Tribunal de Justiça which suspended the auction and declared it invalid.

Metropolitana was bought by Light, the Rio de Janeiro electricity company, for the minimum price of R\$2.03bn (US\$1.78bn), after it was the

only bidder to take part in the auction. Light is owned by AES and Houston Energy of the US, Electricité de France and CSN, the Brazilian steel company.

The decision came as a relief to the São Paulo state government, which is reeling from the failure to find a buyer for Bandeirantes, the other electricity company that was put up for sale at the same time.

The government has yet to decide what it will do with Bandeirantes or EPTF, the small transmission business that also failed to attract any buyers. The three companies are subsidiaries of Eletropaulo, the state-controlled energy group.

Bankers sold the poor

result of the auction showed the government was trying to sell too many energy companies simultaneously.

"There is indignation among the buyers. They do not have enough people to look at all these deals," said one banker involved in the Eletropaulo sale.

Brazil plans to sell the bulk of its electricity distribution and generation businesses over the next two years in a series of privatisations which had been expected to raise US\$45bn.

Despite the STJ ruling, the privatisation is not free of legal obstacles. The court has still to judge on the merit of the legal action by a trade union which gave rise to the initial injunction.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, April 17, 1998. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from rates of foreign currencies to which they are tied.

	£	US\$	DM	¥		£	US\$	DM	¥
Algeria (Dinar)	136.48	136.48	136.48	136.48	Algeria (Dinar)	136.48	136.48	136.48	136.48
Angola (Kwanza)	200.48	200.48	200.48	200.48	Angola (Kwanza)	200.48	200.48	200.48	200.48
Argentina (Peso)	166.54	166.54	166.54	166.54	Argentina (Peso)	166.54	166.54	166.54	166.54
Armenia (Drum)	100.00	100.00	100.00	100.00	Armenia (Drum)	100.00	100.00	100.00	100.00
Australia (Dollar)	1.54	1.54	1.54	1.54	Australia (Dollar)	1.54	1.54	1.54	1.54
Austria (Schilling)	13.76	13.76	13.76	13.76	Austria (Schilling)	13.76	13.76	13.76	13.76
Bahamas (Dollar)	1.00	1.00	1.00	1.00	Bahamas (Dollar)	1.00	1.00	1.00	1.00
Bangladesh (Taka)	100.00	100.00	100.00	100.00	Bangladesh (Taka)	100.00	100.00	100.00	100.00
Barbados (Dollar)	1.00	1.00	1.00	1.00	Barbados (Dollar)	1.00	1.00	1.00	1.00
Belarus (Ruble)	100.00	100.00	100.00	100.00	Belarus (Ruble)	100.00	100.00	100.00	100.00
Belgium (Franc)	36.36	36.36	36.36	36.36	Belgium (Franc)	36.36	36.36	36.36	36.36
Belize (Dollar)	1.00	1.00	1.00	1.00	Belize (Dollar)	1.00	1.00	1.00	1.00
Bhutan (Ngultrum)	100.00	100.00	100.00	100.00	Bhutan (Ngultrum)	100.00	100.00	100.00	100.00
Bolivia (Boliviano)	100.00	100.00	100.00	100.00	Bolivia (Boliviano)	100.00	100.00	100.00	100.00
Bosnia (Marka)	100.00	100.00	100.00	100.00	Bosnia (Marka)	100.00	100.00	100.00	100.00
Botswana (Pula)	1.00	1.00	1.00	1.00	Botswana (Pula)	1.00	1.00	1.00	1.00
Brazil (Real)	548.00	548.00	548.00	548.00	Brazil (Real)	548.00	548.00	548.00	548.00
Bulgaria (Lev)	100.00	100.00	100.00	100.00	Bulgaria (Lev)	100.00	100.00	100.00	100.00
Burkina Faso (CFA franc)	100.00	100.00	100.00	100.00	Burkina Faso (CFA franc)	100.00	100.00	100.00	100.00
Burundi (Franc)	100.00	100.00	100.00	100.00	Burundi (Franc)	100.00	100.00	100.00	100.00
Cambodia (Riel)	100.00	100.00	100.00	100.00	Cambodia (Riel)	100.00	100.00	100.00	100.00
Cameroon (CFA franc)	100.00	100.00	100.00	100.00	Cameroon (CFA franc)	100.00	100.00	100.00	100.00
Canada (Dollar)	0.70	0.70	0.70	0.70	Canada (Dollar)	0.70	0.70	0.70	0.70
Cape Verde (Escudo)	100.00	100.00	100.00	100.00	Cape Verde (Escudo)	100.00	100.00	100.00	100.00
Chad (CFA franc)	100.00	100.00	100.00	100.00	Chad (CFA franc)	100.00	100.00	100.00	100.00
Chile (Peso)	800.00	800.00	800.00	800.00	Chile (Peso)	800.00	800.00	800.00	800.00
China (Yuan)	8.27	8.27	8.27	8.27	China (Yuan)	8.27	8.27	8.27	8.27
Colombia (Peso)	1,600.00	1,600.00	1,600.00	1,600.00	Colombia (Peso)	1,600.00	1,600.00	1,600.00	1,600.00
Costa Rica (Colón)	100.00	100.00	100.00	100.00	Costa Rica (Colón)	100.00	100.00	100.00	100.00
Croatia (Kuna)	100.00	100.00	100.00	100.00	Croatia (Kuna)	100.00	100.00	100.00	100.00
Cuba (Peso)	100.00	100.00	100.00	100.00	Cuba (Peso)	100.00	100.00	100.00	100.00
Cyprus (Pound)	1.00	1.00	1.00	1.00	Cyprus (Pound)	1.00	1.00	1.00	1.00
Czech Republic (Koruna)	100.00	100.00	100.00	100.00	Czech Republic (Koruna)	100.00	100.00	100.00	100.00
Dominican Republic (Peso)	100.00	100.00	100.00	100.00	Dominican Republic (Peso)	100.00	100.00	100.00	100.00
Dominica (Dollar)	1.00	1.00	1.00	1.00	Dominica (Dollar)	1.00	1.00	1.00	1.00
DRC (CFA franc)	100.00	100.00	100.00	100.00	DRC (CFA franc)	100.00	100.00	100.00	100.00
Ecuador (Dólar)	1.00	1.00	1.00	1.00	Ecuador (Dólar)	1.00	1.00	1.00	1.00
Egypt (Pound)	100.00	100.00	100.00	100.00	Egypt (Pound)	100.00	100.00	100.00	100.00
El Salvador (Colón)	100.00	100.00	100.00	100.00	El Salvador (Colón)	100.00	100.00	100.00	100.00
Equatorial Guinea (CFA franc)	100.00	100.00	100.00	100.00	Equatorial Guinea (CFA franc)	100.00	100.00	100.00	100.00
Eritrea (Nakfa)	100.00	100.00	100.00	100.00	Eritrea (Nakfa)	100.00	100.00	100.00	100.00
Estonia (Kroon)	100.00	100.00	100.00	100.00	Estonia (Kroon)	100.00	100.00	100.00	100.00
Ethiopia (Birr)	100.00	100.00	100.00	100.00	Ethiopia (Birr)	100.00	100.00	100.00	100.00
Fiji (Dollar)	1.00	1.00	1.00	1.00	Fiji (Dollar)	1.00	1.00	1.00	1.00
Finland (Markka)	100.00	100.00	100.00	100.00	Finland (Markka)	100.00	100.00	100.00	100.00
France (Franc)	6.55	6.55	6.55	6.55	France (Franc)	6.55	6.55	6.55	6.55
Gabon (CFA franc)	100.00	100.00	100.00	100.00	Gabon (CFA franc)	100.00	100.00	100.00	100.00
Gambia (Dalla)	100.00	100.00	100.00	100.00	Gambia (Dalla)	100.00	100.00	100.00	100.00
Georgia (Lari)	100.00	100.00	100.00	100.00	Georgia (Lari)	100.00	100.00	100.00	100.00
Germany (Mark)	1.00	1.00	1.00	1.00	Germany (Mark)	1.00	1.00	1.00	1.00
Ghana (Cedi)	100.00	100.00	100.00	100.00	Ghana (Cedi)	100.00	100.00	100.00	100.00
Greece (Drachma)	100.00	100.00	100.00	100.00	Greece (Drachma)	100.00	100.00	100.00	100.00
Guatemala (Quetzal)	100.00	100.00	100.00	100.00	Guatemala (Quetzal)	100.00	100.00	100.00	100.00
Honduras (Lempira)	100.00	100.00	100.00	100.00	Honduras (Lempira)	100.00	100.00	100.00	100.00
Hungary (Forint)	100.00	100.00	100.00	100.00	Hungary (Forint)	100.00	100.00	100.00	100.00
Iceland (Krona)	100.00	100.00	100.00	100.00	Iceland (Krona)	100.00	100.00	100.00	100.00
India (Rupee)	47.54	47.54	47.54	47.54	India (Rupee)	47.54	47.54	47.54	47.54
Indonesia (Rupiah)	1,000.00	1,000.00	1,000.00	1,000.00	Indonesia (Rupiah)	1,000.00	1,000.00	1,000.00	1,000.00

BUSINESS EDUCATION

Asian student numbers are down but schools in Europe and the US are buoyant, says Della Bradshaw

A panic rather than a crisis

Earlier this year, two Korean students on the MBA programme at Manchester Business School, in the UK, packed their bags and went home. It was not just a question of money, although their companies had withdrawn financial support. But the instability of their home economy, driven by the Asian currency crisis, sent them scurrying to protect their careers.

The moves were symptomatic of the panic which swept both the students and the administrators at business schools earlier this year.

Though many put a brave face on it, there were fears that the number of company-sponsored, south-east Asian students sent to study abroad would plummet, and with it business school revenues. And for those business schools which offer programmes in Hong Kong or Singapore, there were concerns that the soaring costs of the courses would be prohibitive for many students.

Four months later, a calmer and more positive picture has emerged, in the more prominent business schools at least. Many business faculties concede that they feared the worst only to discover that their concerns were largely unfounded.

The situation is similar on applications for full-time programmes in the UK from Hong Kong students, according to Peter Barrar, director of the post-graduate centre at Manchester Business School. "Hong Kong has stood up remarkably well as has China. China has not been affected."

Some specialist courses, such as the one-year masters in finance courses offered at London Business School and the management school at Imperial College in London, have seen an unexpected increase in applications.

At LBS, applications from Asia for its Masters in Finance programme have risen by 63 per cent overall over the past year, and in Hong Kong the increase in applications has been 166 per cent. At Imperial College, applications for its masters in finance degree, albeit a very new programme, have increased tenfold.

Concern over the shakeout in business schools in south-east Asia is now shifting from worries about government intervention.

To promote home-grown programmes the Malaysia government has recently introduced legislation which eliminates the tax relief on management training, if it is carried out overseas. This has led to a rush by some non-Asian schools to set up programmes in Malaysia.

but the most serious programme providers will pull out of Hong Kong, believes Ray Wild, principal at Henley.

The Asian currency crisis was a hiccup in an otherwise buoyant year for business schools, especially those in the US.

There, the burgeoning interest from management consultants - the market is growing at between 20 and 30 per cent a year - pushed up the demand for MBA graduates and many were offered salaries and golden hellos which previously they could only have dreamed about.

All the big schools reported record starting salaries. At the Wharton school at the University of Pennsylvania, for example, graduates received a median compensation package of \$130,000 (\$78,000), including a base salary of \$75,000. The most common employers were consultancies.

The ever-growing demand for consultants has meant that many schools not traditionally favoured by consultants are now being drawn into the net. IMD in Switzerland and Cranfield in the UK, for example, both have strong reputations for producing managers for industry. Both establishments are being targeted by management consultancies.

As there is a growing demand from recruiters for graduates of the classic MBA - the one or two-year full-time programme - so there is a growing demand from students for more flexible programmes.

In the US, about half the MBA students study on



part-time courses, or via distance-learning programmes. In Europe and Asia, the figures are considerably higher. In the UK, for example, the vast majority of students combine study with their 'day job'.

Increasingly, employers, too, are turning to these part-time and open learning programmes as an alternative to sponsoring managers on full-time programmes. IBM, for example, sponsors several hundred managers a year to study for an MBA in this way.

One of big driving forces in developing open learning programmes has been advances in technology: case studies on CD-Roms, group meetings using video-conferencing and low-cost communications over the Internet have all boosted the ability of the big open learning providers, such as Henley and the Open University Business School, to support managers further afield.

It has also enabled the more traditional MBA programme providers to offer more flexible options. The

Fuqua school, at Duke university in the US, for example, created a niche for itself in the executive market with a premium-priced executive MBA on which the students are company-sponsored. One of the mainstays of the programme has been the communications technology which enables groups to work together even though they are physically scattered across the globe.

So successful has the programme been that IMD has decided to launch a European rival later this year.

Fuqua is one of the more successful US business schools in terms of overseas expansion. Chicago, which launched its executive MBA programme in Barcelona two years ago has now consolidated its position by moving into its own building.

And the Kellogg school at Chicago's Northwestern university has reiterated its particular brand of overseas expansion - through partnerships - by launching its executive MBA earlier this year in Hong Kong in collaboration with the Hong Kong

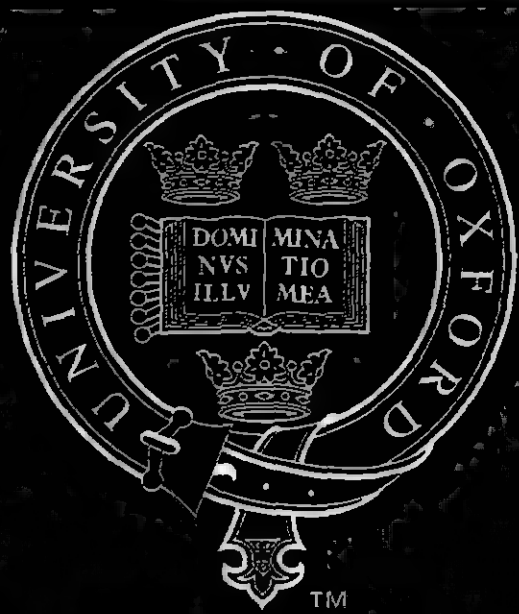
University of Science and Technology.

Elsewhere, technology is revolutionising the way that classes are taught and the way that business schools communicate with their alumni.

Two years ago the idea of an electronic case study was revolutionary; today, it is commonplace. Just a year ago the idea of a lifelong electronic mail address for students and alumni was unheard of; today, every business school worth its salt is considering the idea.

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2 BUSINESS EDUCATION

LEADERSHIP • by Richard Donkin

'Learning through doing' dominates

But business schools offer an environment for risk-free experimentation

Business leadership development has been one of the big growth areas for management schools during the past decade but there appears to be growing scepticism about the more traditional approaches to the subject not only within business but in the schools themselves.

Part of the problem has been in arriving at a consensus of what is meant by leadership, whether it should be distinguished as something separate from management, whether it comprises definable traits and whether it has changed over the years.

Many of the current theories have a family tree rooted in post-war studies that initially concentrated on military leadership skills. This military link was promoted by people like Field Marshall Sir William Slim who shortly after the end of the war gave a lecture to managers in the UK on "management through leadership", arguing that the principles of military leadership could be used in business.

Hitherto the notion that leaders were born not made had tended to prevail in society but Sir William's observations suggested that there could be transferable leadership skills. The idea was developed by people such as John Adair, the UK's first professor of leadership who incorporated them into his Action Centre Learning model, initially adopted at Sandhurst, the British Army's officer training college.

Mr Adair was among a number of academics, including Warren Bennis and John Kotter in the US, who distinguished between leadership and management. Management, he argued, involved administration and control, features not necessarily present in leadership. Warren Bennis defined the

most important ingredient of business leadership as the need to provide a guiding vision. He also identified the need for leaders to demonstrate passion, integrity, curiosity and daring.

But can such qualities be instilled into people or are they innate? Ruth Tait, head of PA Consulting Group's search and selection business, who interviewed a series of business leaders for her 1995 book *Roads To The Top*, found difficulty drawing together a set of common attributes although she found that many of the executives had some childhood experience of adversity that gave them their drive.

"What distinguished most of them, however, was cross functional experience and responsibility early in their careers," she says. She found that while management education was regarded as helpful it was stressed far less than the learning they achieved from experience.

Her observations about early responsibility are confirmed by David Norburn, director of Imperial College Management School, London, who carried out a detailed study of directors of large companies in the UK and the US, looking for the factors that distinguish the more successful of them from the less successful.

"I can tell you it has nothing to do with potty training, child sibling positioning or types of education. Statistically two features come shouting through - the experiences that they get in their formative years between the ages of 25 and 35 and international exposure," says Prof Norburn.

The most crucial formative influences on business leaders, he found, were inter-company moves exposing young managers to early responsibilities. "If you get sent off to Borneo to be in charge of some petrol pumps you have to understand pricing, delivery systems, logistics, cash flow and working in a different setting. In effect you are a mini-managing director," he says. "But a company must have an underpinning of acceptance

of failure when it stretches people beyond their previous experience." These findings raise questions about the effectiveness of the classroom approach to leadership development. Prof Norburn is an advocate of managers with senior executive potential taking on non-executive roles.

"A lot of the business schools are teaching history. I would like to see more emphasis on simulations and projects where people can be stretched." One area, he says, where business schools can help is providing an environment for risk-free experimentation.

"Companies need to encourage the maverick in people so that they are working one deviation away from their area of comfort. If this happens in school and it goes wrong there it will not hurt the company financially."

Andrew Kakabadse, professor of International Management Development at Cranfield School of Management, agrees that leadership development needs to go beyond the classroom. "The most likely and unlikely people can reach senior positions. There are no common traits in terms of personality but there are abilities that can be developed and working in the organisational context can be particularly effective," he says.

This emphasis on context is also stressed by Nigel Nicholson, a professor at London Business School. "What makes a good leader does depend very much on what kind of organisation you are in and the role you play in that organisation. Charismatic leaders, for example, come into their own when people are in a state of crisis but they can overstay their welcome when calm is restored and a different kind of leader is required."

It should be noted that the nature versus nurture debate is still simmering beneath the varying approaches to leadership development. Meanwhile, learning through doing appears to be in the ascendancy.



Management theory initially concentrated on military leadership skills

COMPANY-SPONSORED MBAs • by Della Bradshaw

Stepping into clients' shoes

Single company programmes are keeping staff happy and defections down

When the name Chesterton is mentioned in exclusive London circles, what springs to mind are flashy Mayfair apartments or houses in Chelsea. One thing Chesterton International, the up-market property consultancy group, is not usually associated with, however, is management training.

Nonetheless, Chesterton has been running its own MBA programme in conjunction with Middlesex University Business School since 1992 and some 40 MBAs have graduated from the programme. One of the aims, says Bill Heaney, group services director at Chesterton, "is to try and put our surveyors into our clients' shoes."

Single company MBA programmes have largely been the domain of European business schools and European companies - US business schools have found the concept hard to swallow.

Accountants Arthur Andersen, the BBC, British Airways and phone company Cable & Wireless are all proponents of single company programmes.

The advantages to the company are clear: they can reward their high-flying staff, and so prevent defections to rival companies, while controlling the timing of the programme.

For example, Arthur Andersen in the UK has recently begun a single company programme with Manchester and Warwick business schools in which the workload is most intense over the summer and autumn and there is less work to do in January and March, the auditing season.

Other programmes vary more widely. For example, the Cable & Wireless programme uses the Henley distance learning MBA programme, as studied by thousands of MBA wannabes around the globe, as the basis for its MBA, says Ed Moffatt, programme manager at Cable & Wireless.

"We get the same green Henley boxes."

But in addition there are two modules which Henley has developed with the Cable & Wireless College, based in Coventry in the UK, specifically for telecoms employees - strategic direction in the telecommunications industry and business development and financing in the sector, essentially things like how to apply for a telecoms licence.

This is about as far as Henley would go in adapting a programme, says Ray Wild, principal of Henley Management College, which runs a single company



Alliances: three companies are involved in Ashridge's European Consortium MBA

diploma and MBA courses for 19 companies other than Cable & Wireless, including Lloyds Bank, Unilever and British Telecommunications. "We will tailor the delivery of a course for a corporate client to the extent they need," he says, "but this is as far as we have gone in tailoring content."

Cable & Wireless has been able to exploit its expertise in telecoms technology to overcome many of the problems of distance learning by setting up video-conferencing tutorials between course members. This brings additional spin-offs. "It helps participants to learn how to use technology as a management tool," says Mr Moffatt.

A further advantage to both the company and the student is that the case study and project work can be centred on the company itself and the day-to-day work the employee does there. General programmes, on the other hand, tend to rely on cases which must be, by definition, of general application to everyone on the programme.

For the course participant there are clear advantages. Howard Ozyne, operations manager with the euro-global team at IBM, is studying on the IBM MBA programme at Manchester Business School. He considered studying independently for an MBA but was put off by the cost and the time requirements. "I looked at a number of options: all were frighteningly expensive and all of them seemed to demand unmanageable amounts of time."

Concerns about company-specific MBAs are that the employer may have too much input into the development of the course, so removing its status as a general management programme.

More important is that the social and networking element of an MBA programme



Informal discussions matter for students at Ashridge Management College

is largely missing from a company-specific MBA - many participants on general MBA programmes say they learn as much from their fellow students as they do from their professors.

For this reason single company programmes are unsuitable for small companies, says Paul Ferguson, senior fellow at the management school at Lancaster University, which has been running the British Airways MBA since 1988 - making it one of the first in-company MBA programmes in the world. British Airways, which has everything from technical staff to sales executives and to financial controllers, and is international into the bargain, is ideal for such a programme says Mr Ferguson.

Concerns that companies push forward unsuitable applicants is also unfounded

says Mr Ferguson. He says at Lancaster applicants on the British Airways programme are of a higher calibre than on the open MBA programme.

The Association of MBAs, which runs the UK's MBA accreditation programme, is also warning to single company programmes. It is setting up a working party later this year to decide the criteria which could be used for giving accreditation to single company programmes. "These programmes look like they're here to stay," says Paula Glason, business school services manager at the Association.

Not everyone is convinced. Although Lancaster runs the British Airways single-company programme it is also a partner in the International Masters Programme in Management (IMPM), which was masterminded by veteran

Canadian management thinker Henry Mintzberg. It brings together four or five participants from a handful of companies to study together, so combining the diversity with the focus of a company-specific programme.

Manchester Business School is also moving towards the consortium approach to degrees.

At Henley more than 50 blue-chip companies already send participants on inter-company MBA programmes. Seven of those, including Electroix, Mercedes Benz and Rank Xerox, belong to international consortium MBA programmes. Ashridge, at Berkhamsted in the UK, also runs a European partnership MBA of 13 modules over two years. The three companies involved are Lufthansa, Deutsche Bank and Merck.

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WOMEN • by Victoria Griffith

The ever-widening gender gap

'Inequality at the MBA programmes is perpetuating inequality in the work place'

After decades of progress in women's rights, one would expect the number of women getting business degrees to be surging rapidly toward parity with men.

That's not the case. While women make up over 40 per cent of total enrolment in medical and law schools in the US, just 28 per cent of those attending elite MBA programmes are female, according to women's rights watchdog Catalyst. Even more disturbing, female enrolment has stagnated; there has been no upward movement for almost a decade.

Take a look at what women study at business school, and the gap looks even wider. While marketing and human relations courses are filled with feminine faces, management and finance courses continue to be dominated by males. "Women are concentrating in fields that would tend to place them in staff, not leadership, positions once they get out," says Mary Matile of Catalyst. "Inequality at the MBA programmes is perpetuating inequality in the work place."

Catalyst considers the situation a threat to the progress of women in business and has launched the first

major study of the issue, in conjunction with the University of Michigan. While the research will probably not be completed until next year, the study is already sparking dialogue on the issue. Some of the hypotheses about the low attendance of women include:

● Lack of pay-back for the degree in the business world. "A lot of women look at the sacrifices my generation made, and decide it hasn't been worthwhile," says Daphne Atkinson, assistant dean for admissions at Cornell University's business school. "There aren't a lot of women CEOs, or women sitting on the boards of major companies. Women fear they will pay a lot of money for an MBA, work long hours, only to get held up by the glass ceiling."

A perceived macho attitude on Wall Street, one of the premier careers for MBAs, puts women off finance studies in particular. "The male culture on Wall Street is just considered too unbearable for many women to be interested in finance," says Barbara Shannon, a Wharton MBA candidate.

● Work/family concerns. The timing of business school often runs right up against women's desire to have a family. Elite MBA programmes usually require a few years' experience as a prerequisite to entry. That means most women attending business school will be entering their 30s within a few years after graduation.

the age when many start thinking about having children.

"One of my friends asked the financial services firm she'll be working at after graduation how many women take maternity leave in their first three years," says Ms Shannon. "The answer was 'none'. That means if she wants to do that she'll be a trailblazer - a pretty uncomfortable position to be in."

● Worries about the cost of an MBA. With an MBA at elite US schools running at about \$70,000 for tuition and living expenses, many women fear they won't be able to finance the education. "Women are definitely more concerned with the price of an MBA than men, and we're not sure why," says Bob Alig, dean of admissions for Wharton. "Maybe companies don't sponsor them as often, maybe their families aren't as willing to finance the education, or maybe they are just not as certain about their long-term plans and possible payback schedule as men."

Because women often want to work in less lucrative fields after graduation, the problem is exacerbated. Sue Emmott, an MBA candidate at Cambridge University's business school, wanted a management degree to boost her skills at dealing with refugees and displaced people, for instance. Had she not received a scholarship from the school, it might

have been difficult for her to finance the education.

● A male-oriented culture in the classroom. "Women complain of stereotyping in MBA programmes that affects their ability to learn," says Arthur Centonze, dean of the Lubin School of Management at Pace University. In classroom teams, women say they are likely to play the role of facilitator, given responsibility for organising meeting times and deadlines. Because there are so few females, they tend to be divided up among teams. Too often, they say, they find themselves alone in a group of men and expected to provide the "feminine" point of view.

● A lack of role models within the school. Most MBA programmes have relatively few women faculty members. "Having a lot of female professors around makes a huge difference to women students' self-confidence," says Anisha Sanghvi, a student at the Lubin School. MBA programmes cannot address all these drawbacks alone. The percentage of women at business schools may change substantially only after a change in attitude in corporate America. Yet observers say the schools must take some responsibility. "We are not doing as good a job as we should in addressing women's concerns," said Mr Alig at Wharton.

Probably the most important step for schools is making sure there are enough

women faculty members to act as role models for female students. Sponsoring discussion groups, lectures and conferences dealing with women's issues is also considered key. "We want these events to begin to form a network and become aware of the issues," says Ms Shannon. "But we don't just want to listen to women who've risen to the top. We also want to hear about women who've run into difficulties and why, so we know what we'll be facing after graduation."

Help with finances is essential. A number of schools - particularly in Europe - have scholarships specifically for women. IMD, in Lausanne, Lancaster University's Management

School and Manchester Business School all have such programmes and London Business School is launching one shortly.

MBA programmes may also want to take a look at the way their classrooms are structured. "A lot of women find business courses too hard-nosed," says Centonze of the Lubin School, whose enrolment is about 40 per cent female, far higher than the norm. "Some schools expect students to take a position and defend it, even if they don't believe in it. Women have a hard time during that. We use more collaboration, less confrontational methods than other programmes, and I think that's one reason we attract more women."



Sue Emmott, is the first recipient of a Sainsbury MBA Bursary at the Judge Institute of Management Studies, Cambridge University's business school. To boost her skills at managing aid programmes, Ms Emmott wanted to be exposed to the rigours of the commercial world but without the scholarship, it might have been difficult for her to finance the education. (Photo: Fredrik Kamber)

ADVANCED MANAGEMENT PROGRAMMES • by John Authors

Making friends at the top

Finishing schools for executives put the emphasis on the sharing of experiences

Advanced Management Programmes appear to be a relic of the past in executive education. Long a staple of many business schools' offerings, the old theory, or at least a caricature of it, was that AMPs could act as finishing schools for high-flying executives just before they graduate to the board.

They would arrive at business school for a residential course sometimes lasting three months - even though they were already at the level of seniority where companies could ill afford to spare them for this length of time. A fixed course would tell them all they needed to know to be directors.

Bob Stiliard, head of faculty at Ashridge College of Management in the UK, admits: "That caricature was certainly the model 40 years ago. It taught 40 or 45 people in a room who would go through precisely the same experience. Occasionally they might have been devoted to action plans."

The courses tend to be shorter and more flexible these days. Four weeks is the norm, although even this presents problems for many companies, and several

schools still take a lead in them. Individual coaching is offered by most providers.

The courses have also moved to take advantage of the increasing demand for training in leadership skills, and particularly in managing and leading change. While most advanced courses also offer standard fare to update executives in theories on financial engineering or marketing, companies are most prepared to pay for courses which will introduce their managers to the concepts of leadership.

In the US, the field is led by traditional power-houses which are dominated by research rather than teaching - Harvard, Kellogg, Stanford and Columbia.

Schools which offer advanced programmes or close variations on the theme in the UK include the London Business School and Ashridge, also known for their research. However, schools offering the courses suggest that the main benefits for the participants will come from interacting with other class members, rather than from being given the latest research.

London Business School provides actors to help in sessions on learning how to negotiate, for example, while Kellogg even offers programmes in "nutrition, a complete health analysis and a life-style evaluation". Aerobics classes are offered

throughout the four weeks of its course.

Meeting senior executives can help a faculty keep abreast of the latest ideas. Don Jacobs, dean of Kellogg, says that the school's advanced programmes provide the life blood for the rest of its courses.

Teaching methods are also adapted to suit the participants. As Liz Mellon, director of the senior executive programme at London Business School puts it: "Because our participants have very little patience in sitting in a classroom and being talked at by academics, we have a 30 minute maximum for lectures."

Basic skills, such as accounting, are assumed, and courses instead concentrate on individual requirements, or on "big picture" issues. Kellogg, for example, covers topics such as "US trade policy" and "corporate governance". Classes are limited to about 40 people, to avoid classrooms turning into lecture halls. The emphasis is on individual self-development.

Ms Mellon admits that the networking opportunities are important for participants, and applicants are closely vetted to make sure that quality at each of the courses is not diluted. Typically, participants will be slightly over 40, they will have worked in more than one country and in more

than one business function, and will have a salary in excess of \$150,000.

The school tries to ensure that every participant will find themselves sitting next to someone who is equally senior, and equally ambitious. Kellogg institutionalises the networking opportunities by inviting all participants to a three-day reunion every two years in the middle of alpine scenery at the Burgenstock estates in Switzerland.

The key skill which all courses emphasise is leadership. According to Mr Stiliard: "The expectation is that people will make a step change around the question of facing up to their leadership style, and developing confidence in their ability to drive a business forward."

Networking is an important component of preparing for leadership, as by definition executives begin to find their jobs lonely, with fewer direct peers with whom they can share experiences, as they climb within a company.

As Ms Mellon puts it: "Leadership is a very lonely existence. You are isolated, and you can't share your weaknesses. You are working in a politically charged environment and you don't necessarily want to fight people. Most importantly, you're fired up, but you don't have the time to think."

CHANGING PLACES • by Della Bradshaw

Deans' posts hard to fill

Top job proves to be a challenge for individuals from business and academia

From California to Carolina and London to Boston, business schools are getting new deans. Be it the increasing and conflicting demands of academia and the business community or the need for more active fund-raising, deans, principals and directors are all on the move.

According to the AACSB, the US business school accreditation body, there were 71 deans' jobs waiting to be filled in North America alone at the beginning of April. And many of the schools which are seeing a change at the top are among the world's most prestigious.

In January this year the Kenan-Flagler school at the University of North Carolina introduced its new dean, Robert Sullivan. And in July, London Business School in the UK and the Sloan school at MIT, the Goizueta business school at Emory University in Atlanta, Georgia, the Darden School at the University of Virginia, and the Haas school at Berkeley in California will all have new deans. Thomas Moore, former boss of the Arthur D Little management school, will take over as the dean of the graduate school of management and the executive centre at Babson. Others looking to fill the top slot include UCLA, in Los Angeles, the Georgia Institute of Technology and the universities of Toronto, British Columbia and Seattle.

But why are so many deans leaving? Some, such as Ron Frank at Emory and Glen Urban at the Sloan school are returning to academia. Others, such as Leo Higdon, former dean of the Darden School of Business, spread his wings and is now

Changes at the top in the UK and the US



Robert Sullivan new dean at Kenan-Flagler Business School, University of North Carolina, Chapel Hill



David White from Bradford University's management centre to Newcastle Business School



Don Robertson from London Business School to Babson University in Boston, Georgia



John Quelch from Harvard to London Business School



John Hickman has left Sloan School, Boston



Tom Robertson has left Sloan School, Berkeley (San Francisco)

president of Babson, in Massachusetts. George Bain left London Business School to become the vice-chancellor of Queen's University, Belfast and also in the UK, David Weir has left Bradford University's management centre to take the top job at the Newcastle Business School at the University of Northumbria.

For many, the increasing demands of the top job remove the gloss off the position. Prof Bain, for example, who was the highest paid academic in the UK when he was principal at LBS, is thought to have quit the job because he had not the stomach for the fund-raising that was needed to put LBS on the map alongside US business schools.

His successor, John Quelch, a Harvard marketing professor, sees marketing as the key issue. "The principal agenda is to make the school more famous. The more I've seen the more impressed I've been with the faculty and the research. We need to make it more famous for what it already stands for."

But marketing and fund-raising are not necessarily the most gruelling tasks for a modern dean. Charles Hickman, director of projects and services at the AACSB believes the job description has changed. Technology is changing the way courses are taught - particularly irksome to older academics - and business schools are being forced to become more international.

Most deans in the US have had to overhaul their curriculum, change their internal processes and act as an agent of change in the universities to which most of them belong. "These roles are never popular," says Mr Hickman. "Some deans get chewed up by this."

Academic headhunter John Kuhnle, managing vice-president for educational practice at Korn-Ferry International, agrees. "Faculty always resist change," he says. "Everyone's for change unless it affects them."

Moreover Mr Kuhnle believes financial issues have a big role to play in many deans' decisions to quit. While business schools are frequently the cash cows of the universities, they usually do not get to keep the money. In periods of university retrenchment, as is visible in the US today, the money is often funnelled off to support ailing departments and the business school dean is thwarted in

his or her attempt to develop the school.

Altogether, says Mr Kuhnle, the business dean "is not the best job in the business school - the best job is a tenured full professor." Nor is the dean's position the most lucrative. While the dean is tied to fund-raising dinners and endless administration, the faculty are often earning huge sums for consultancy. "You have to have a big ego to do their job; you have to believe you can make a difference," says Mr Hickman. "There are a lot easier ways of earning a lot more money."

In recent years in the US there has been a trend towards the appointment of business people as deans - Tom Gerrity at Wharton, for example, and Rex Adams at Fuqua. In the UK Leo Murray, director at Cranfield and probably Britain's most enduring business dean, was also recruited from business.

But there is no real indication whether business people or academics fare better in the job, says Tom Robertson, who will take over as dean at the Goizueta school at Emory University in July. He points to deans such as Donald Jacobs at the Kellogg school at Northwestern University as the sort of academics who have been highly successful in the job. "I don't think you can conclude that either business people or academics make better deans."

While academics may lack the marketing and management skills of a business person an industry dean may easily lose patience with the debating rather than co-operative perspective that faculty bring to the table, says Mr Kuhnle. "A typical corporate manager cannot stomach academics for long!"

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PROFILE St Gallen

From embroidery to economics

Switzerland is better known for the quality of its chocolate and watches, than for its world class business schools. Its best-known management school, the International Institute for Management Development (IIMD), is based in Lausanne. But it is so global that it could be based anywhere in Europe.

By contrast, the closest pure Swiss equivalent to a US-style "Ivy league" business school is the Hochschule St Gallen (HSG St Gallen). This is where the real "movers and shakers" in German-speaking

Switzerland, which accounts for two thirds of the Swiss population, and an even greater proportion of the country's economic power, do their basic training. It is one of Europe's smaller universities, and while the initials HSG, do not carry quite the same weight as a Harvard MBA, it is a prestigious qualification for would-be entrants to the German-speaking business world.

The university is perched on the Rosenberg hill overlooking St Gallen, an old and picturesque town of 75,000 people in North East

Switzerland. St Gallen takes its name from an abbey founded in 720 on a spot where a monk called Gallus died. In its heyday it was the cradle of the Swiss textile industry.

Hence, it is somewhat surprising that the forerunner of the University of St Gallen was only founded 100 years ago, and well after universities were established in the bigger Swiss cities of Basel, Zurich, Bern and Geneva. It began as a commercial academy orientated towards meeting the special needs of St Gallen's embroidery

industry but has developed into the largest economics and management faculty in Switzerland.

A quarter of its 4,000 students come from outside Switzerland and the vast bulk of them are from Germany. For many German students, St Gallen's attraction is its promise of a cheaper and faster business education than rival German institutions, with the added bonus of being closer to some of Europe's top ski resorts. Non-Swiss students pay SFr850 (£344) per semester in tuition fees and the university estimates

that the average living costs in St Gallen are between SFr1,500-SFr1,700 a month.

The roll call of St Gallen's alumni is heavily weighted towards bankers. Hans Meyer, president of the Swiss National Bank, did his doctorate on "short-term international credit aid" at St Gallen, and other banking alumni include Lukas Mithlmann, chief executive of Credit Suisse, Peter Wüthli, Swiss Bank Corporation's chief financial officer, Josef Ackermann, a board member of Deutsche Bank, and Benédicte Hentrich, managing partner of a Geneva private bank.

However, St Gallen does not specialise solely in producing Swiss bankers. Other famous old boys include Henri Meier, Roche's legendary chief financial officer, Prince Hans-Adam II who rules Liechtenstein, and Arnold Koller, Switzerland's justice minister, who is overhauling the Swiss constitution for the first time in decades. Meanwhile, Andreas Hurnler, Amstelveen's chief executive of the Swiss stock exchange, is a reminder that a fifth of St Gallen's students are now female.

St Gallen differs from other business schools in that it is primarily a university for undergraduate students, whereas IIMD, is focused on programmes for more mature business executives. About 800 students are on the various doctoral programmes but most students enter St Gallen around the age of 20 and spend the first two years on a common foundation course. It involves two semesters a year totalling 28 weeks and the four main compulsory subjects are business administration, economics, law, and mathematics/statistics/computer science.

There is a drop-out rate of about 28 per cent, but students who survive can then choose whether to study for a licentiate in

economics, or opt for political science, law, or a management teaching qualification. About 75 per cent plump for economic sciences. St Gallen trains its students to be generalists but also stresses the benefits of having access to 27 institutes and research centres which range from investigating everything from business ethics to informatics.

St Gallen's list of 75 professors does not have the eye-catching talent of some of its Anglo-American rivals, but it has produced some distinguished business academics. Hans Ulrich and Walter Erig were well known for their research into systems theory and cybernetics and inventing the St Gallen management model in 1973. More recently, Bruno Gehrig, gave up his job as professor of business administration and head of St Gallen's research institute of banking and finance, to join the triumvirate running Switzerland's central bank.

St Gallen is very much a Swiss university. It receives two thirds of its SFr100m a year budget from public funds and raises the rest from the private sector. But although it restricts its foreign intake of students to 25 per cent, it is making increasing efforts to widen its international horizons.

In 1987 it launched an executive MBA programme and since 1990 it has been a member of the community of European Management Schools (CEMS). Heinz Hauser, a St Gallen professor, is president of CEMS which aims to foster co-operation between a dozen leading European management schools and over 40 international companies. It is keen to dilute the German bias in its doctoral programme by increasing the number of English-speaking students and is planning to launch an English-language masters degree course in international management.

St Gallen's other claim to



Hans Meyer moved on to be president of the Swiss National Bank



Prince Hans-Adam II who rules Liechtenstein is another old boy

fame in the increasingly competitive business school environment is its annual three-day International Management Symposium. Unlike some other ventures, it is organised purely by the student community and attracts over 300 business and political leaders a year. This year's event, scheduled

for late May, is entitled "Success in Times of Paradox". It could make a fitting title for St Gallen's own recruiting brochures for what is now regarded as one of the top three business schools in the German speaking part of Europe.

William Hall

CASE STUDIES • by George Bickerstaffe

Bringing studies to life

Simulations introduce "lots of bad weather in a risk-free environment"

The impact of technology on teaching at business school has probably been greatest in the application of multimedia technology to case studies, one of the most prevalent teaching methods in business education. The "case method" - using narratives of real situations to teach theoretical principles was in use at Harvard Law School (using summaries of court cases, hence the name) in 1870. Harvard Business School picked up the idea in the 1920s.

Cases are traditionally printed based, often very long and combining a narrative with detailed statistical analysis. Most business schools are now developing multimedia case studies for on-screen viewing that combine traditional data with video clips of interviews with company executives, suppliers and customers, TV advertising and production facilities. Cases are either supplied on CD-ROM or available over the Internet.

London Business School, for example, has posted a case study on UK airports management group BAA on the Web. Marketing professor Tom Robertson, who will soon take over as dean of the Goizueta in Atlanta, Georgia, says that the advantage of multimedia is that "these technologies bring the cases to life for students. They add a richness."

Prof Robertson adds that apart from video one of the most interesting uses of technology is the ability to add specialised software to cases that allows students to carry out more manipulation of data, for example sensitivity analysis. "Students react very positively to interactive cases."

"Nowadays they are very comfortable with IT and in some ways expect us to use it. To an extent we are just teaching in a way that is compatible with students' skills. I don't think it makes

it easier for students. It's not spoon feeding them."

Harvard Business School, which has long-dominated the writing and distribution of traditional text case studies, is now also one of the most advanced centres for multimedia cases. Kim Clark, dean of HBS, has been ruthless in pushing the school into leadership in the application of technology to business education, spending over \$10m (£5.9m) in a year to provide HBS with one of the best campus information networks in the world.

In one MBA course at HBS - Designing, Managing and Improving Operations, taught by HBS professor David Upton, course material has been reformatting for electronic use with cases designed to be read on screen. Content remains "locked" until the appropriate time in the course, when it becomes accessible.

Prof Clark comments that multimedia technology is taking the case study approach much further than its paper version. "The technology allows us to do things like create a case structure in which the students actually have to search for data. It's not a linear narrative, it's more like what the world's like - it's messy and the problem isn't framed for you."

In an interactive case used by HBS marketing professor John Quelch (who will this year take over as principal of London Business School) for his International Marketing Management course, stu-

dents have to guide the advertising strategy in the UK of chip manufacturer Intel during the first quarter of 1998.

The case contains extensive industry and company data and video clips of Intel executive presentations, customer focus groups and past advertising. With a budget of \$125,000 students have to weigh the merits of alternative advertising strategies, commission the production of selected advertisements and purchase qualitative and/or quantitative research on the copy options.

Finally, they have to make recommendations on which advertisements to run and the emphasis given to each. Instead, based at Fontainebleau outside Paris, developed its first multimedia cases in 1992. But, according to Albert Angehrn, professor of Information Systems at Insead and head of its centre for advanced learning technologies, the use of multimedia cases does not much improve the learning of students in terms of retention and comprehension over traditional text cases.

"Multimedia cases get high user satisfaction ratings," Prof Angehrn says, "but we are not in entertainment where we are in learning. We have found that people learn best through some sort of simulation. The problem is that managers think they know it all. Cases can make them detached."

Prof Angehrn and Insead are now working on what he calls "major flight simula-

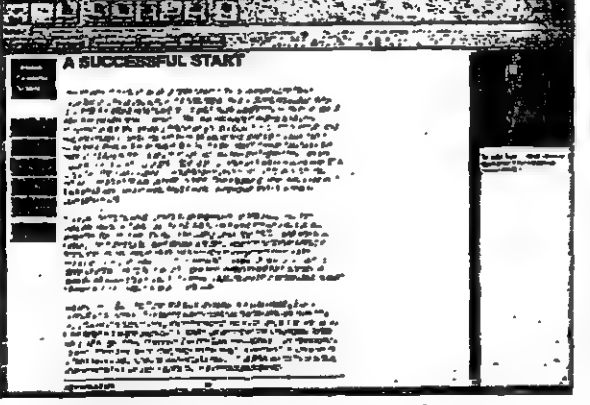
tions", appropriately enough since the work is for Lufthansa, KLM and SAS. "We want to make clear to managers they are not as good as they think they are," he says. "Simulations do that. You can introduce lots of 'bad weather' in a risk-free environment."

Prof Angehrn remains clear that multimedia technology is a major advancement. But he is now also sure, he says, that simply applying it to traditional pedagogical models is not enough. But if, as Angehrn says, Insead was the "first to start multimedia cases and the first to stop", their growth nevertheless seems irresistible.

They are, for example, already moving out of the business school classroom. UK training company Xebec has linked with global audit and consulting group Price Waterhouse to produce a multimedia CD-ROM training programme for middle and senior managers. This uses a number of real-life and fictional case studies. Real cases include US cruise group Carnival Cruise Lines, Hong Kong investment and management company First Pacific and Ford Motor Co.

"Expert" tuition, tutorials and real-life case studies are the hallmarks of business schools," says Xebec managing director Chris Horsman. "By combining these elements in a high-quality interactive environment students feel involved, challenged and in control. And the CD-ROM format means that managers have the opportunity to get to grips with the art of business strategy wherever and whenever it's convenient."

Prof Robertson at LBS comments that "to some extent this kind of case is more expensive and time-consuming to produce". He also suspects, he says, that "they may have a shorter shelf-life than paper cases". But, as he also points out, shelf-life is falling everywhere. "Students, especially practising managers, regard anything over three or four years old as ancient history."



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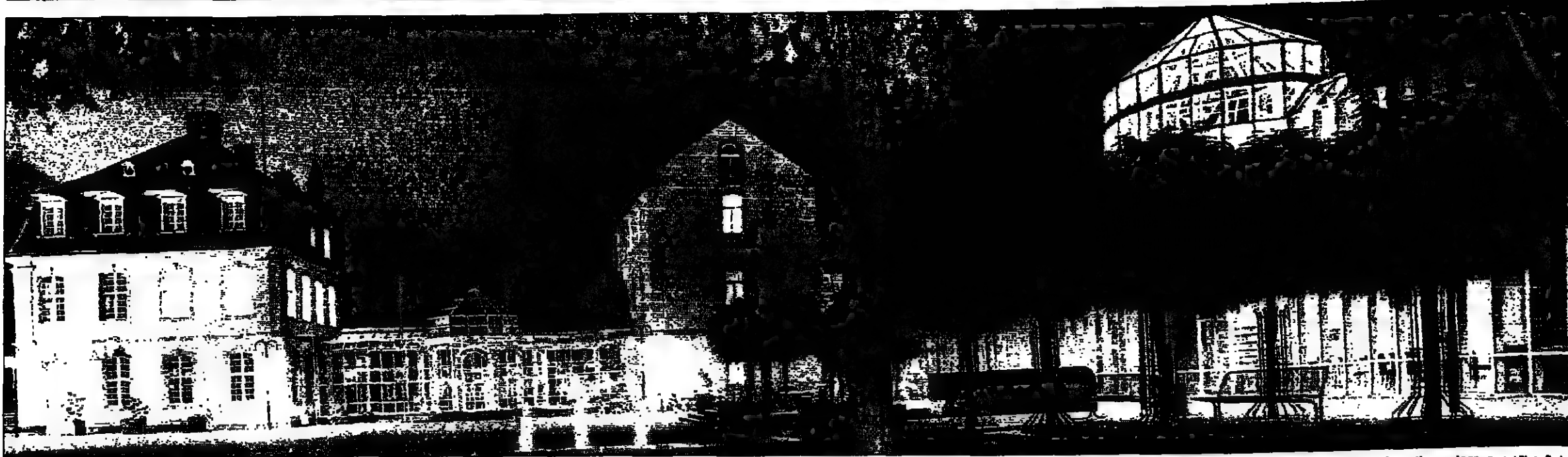
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6 BUSINESS EDUCATION



J.L. Kellogg School of Management has formed alliances with the WHU Koblenz-Otto Beisheim Graduate School of Management, Germany, and various other schools, with 50 per cent of the degree coming from Kellogg and the other 50 per cent from the partner. Credit: Photo Design

OVERSEAS ALLIANCES • by John Authors

A fork in the road to global enlightenment

Schools face dilemma as they try to expand without diluting their reputation

Two US business schools, separated by only a few miles of the Lake Michigan shoreline in Chicago, are both attempting to achieve globalisation of their courses, and offer them in other cities across the world.

But they have chosen totally different ways to do it. Their choices illustrate perfectly the dilemmas faced by all business schools as they try to establish a global presence - how to ensure that expanding their presence and franchise does not result, through poor quality control, in diluting their reputation.

J.L. Kellogg School of Management, the business school for Northwestern University in the northern suburbs of

Chicago, has opted for franchising, and has built alliances with other business schools across the world.

The University of Chicago Graduate School of Business, like Kellogg frequently ranked in the top ten US business schools, has taken the opposite strategy. It has built its own campus in Barcelona, Spain, without linking with local institutions, and plans to use the same strategy to build elsewhere, probably

starting in Hong Kong.

Robert Hamada, dean of Chicago, suggests that this was the only way to tackle the problem of quality control: "Our faculty didn't want to give out our degrees when half the courses are taught by another faculty and held in the other faculty's premises. We would have lost our own autonomy and control of standards for the degree."

Rather than enter into the awkward job of evaluating

other business schools and their faculties, he said, "the easiest way to do it was to do it ourselves".

Prof Hamada draws an analogy with industrial companies. "If you were working for IBM or Ford you wouldn't think twice about setting up a wholly owned foreign company. But what university has done that? It was unique to do it this way, and we felt from a marketing and public relations standpoint it would have a bigger impact. I think that's been proved true."

A final point, for Prof Hamada, was that setting up a foreign school forced the faculty to be truly international in their perspective, from the bottom up. Rather than rely on professors from another school in Europe to provide a separate viewpoint, they had to incorporate a broad view which would introduce Europeans and Asians into all their course designs.

Faculty members go from Chicago to teach the 50 students each year, almost all of them Europeans, who attend the school in Barcelona.

ons, which was built specially and is owned by the university. In their second summer they all have the opportunity to study in Chicago, which virtually all of them take up. They augment a student body in Chicago which was already far from overwhelmingly American, with between 25 and 30 per cent of students coming from overseas.

A few miles to the north on the Kellogg campus, dean Donald Jacobs has for a long time been the high priest of global alliances. He organised a conference on the subject a decade ago.

"My argument at the time was that that in the world we lived in there was no business school which could operate alone. It was impossible that you could develop reach on your own, so you had better think about how you could form your alliances."

A decade on, Kellogg has firmly taken this route. Opting against merely offering executive education programmes in joint ventures, because these would seem "too fleeting" and would not

persuade students that they were part of the institution, Kellogg decided to launch degree programmes around the world.

Using technology transfer to help deliver the degrees, he set out to establish alliances in each area of the world, with the aim that the "Kellogg" would never set on Kellogg. For each school, Kellogg's Masters degree is delivered jointly, with 50 per cent coming from Kellogg faculty, and 50 per cent from the partner's. This way, each programme was supposed to develop the nuances of its region.

So far, links have been established with the University of Tel Aviv's Recanati School of Business in Israel and with the Hong Kong University of Science and Technology. All participants have to spend time at the Kellogg's Allen Centre in Chicago, where they work on courses in negotiation - which given their backgrounds tends to give many of them useful insights in developing future cross-border deals.

A similar link with a Ger-

man school is also in the pipeline, and Kellogg has also consulted on the creation and growth of business schools in Bangkok and Beijing. Future projects include a joint venture with the University of Pennsylvania's Wharton school to build a business school in India.

Quality control for the programmes stems from knowing the respondent institutions well, and from working closely with them to deliver the education, according to Prof Jacobs.

Most importantly, he believes that involving another institution's faculty is vital to globalisation of Kellogg's own courses in Chicago. "We have enormous interchange of faculty from these schools which we otherwise would not get." New concepts have been added to Kellogg's teaching which "we otherwise would not have dreamt of".

Despite the totally different philosophy adopted by his nearby rival, Prof Jacobs is adamant: "We believe that if you are going to be a global institution, you need global alliances."



Robert Hamada, dean of Chicago, says his school has sought to retain autonomy and control of standards for its degree

"I was confident in seeing an IMD alumnus become my successor"

Helmut Maucher



Helmut Maucher
Chairman, Nestlé SA
President, P&G

Peter Brabeck-Letmathe
CEO, Nestlé SA
Chairman of
Program for Executive Development, 1976
Nestlé for Swiss Reinsurance, 1985

Peter Brabeck-Letmathe, the new CEO of Nestlé, is one of the many highly successful international executives whose careers have been enhanced by attending programs at IMD.

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PROFILE

Building on western platform

The University of Hong Kong School of Business may be young - in its present incarnation, just two years old - but it is big on ambition.

It describes its aim as seeking "to rank as one of the best in Asia, if not the best, in the next century". To this end the focus is squarely on business and management within the Asia Pacific region and, specifically, Hong Kong and China.

This creates certain challenges: the body of management theory material is predominantly western in origin and so-called Asian practices are in something of a state of evolution - not least because the reins at the big companies are being passed to a generation whose qualifications often include an MBA from the US. To overcome this, the School of Business is making efforts to build up its own repository of Asian practice and theory. The government-funded Research Grants Council has committed more than HK\$50m to develop Asian business case studies, a comprehensive portfolio which business schools across the world will be able to access.

Dr Ali Farhoomand, leader of the team working on the case studies, says:

"As the world's economic centre of gravity moves from west to east, the distinctive nature of firm strategies, managerial styles, human resource practices, use of information and corporate governance found in Asian nations is increasing in importance, not just to managers in Asia, but to managers worldwide."

In classes, the school seeks to "add the local to the global," says Dr James Newton, a lecturer at the school. "We work on western academic output. That's the platform, then we build on it."

Building on this includes capitalising upon links with China. The School will also offer an MBA in China through a joint venture with Shanghai Fudan University. At home, plans are afoot to establish a Chinese Management Centre to lead research on the management of Chinese firms in the next century. The Centre conducts research and executive development programmes in three areas: Chinese culture and management practice; evolution of the Chinese firm; and managing customer relationships.

Beyond China, an Apec study Centre has been set up - reflecting the

territory's role as a member of the Asia Pacific Economic Co-operation - to generate quality research on business and policy issues in the region. The Centre's three-point focus is on competitiveness, financial services and trade policies.

For students, the school offers two undergraduate degrees, a Bachelor of Business Administration in management and marketing, and a more specialised Bachelor's degree in accounting and finance, as well as the MBA and research degrees (a programme which is supported by the private sector).

Despite its academic west-to-east platform, the 90 per cent of students come from Hong Kong, a reflection of its part-time syllabus, and while the language of learning is English, inter-class work is inevitably carried out in Cantonese, the local dialect.

Until recently the MBA course could only be done in three years, thus ruling out those working in Hong Kong on shorter contracts. This could change with the introduction of the two-year course, which better fits in with the typical expatriate overseas contract.

The school is resolute about its decision not to

offer full time courses. "The part-time market is where the most interesting people are," says Dr Newton. "The ones that give up a job and study full time are not in touch with the coalface. And we find people are not willing to get off the career ladder."

The MBA programme takes in around 80 to 90 students a year in two classes, for which it receives around 400 to 450 applications.

Famous sons of the School are noticeably those who have not slotted into family companies - Philip Chen, the number two at Cathay Pacific, Hong Kong's de facto flag carrier, and Linus Cheung, who heads up Hongkong Telecom and came through a previous incarnation of the School of Business.

The School has witnessed a fair degree of upheaval in its short life - the transfer of sovereignty in July 1997 and the more recent Asian financial crisis.

This may add to the load of applications. "In times like this people feel that they need to improve their own abilities, because that will improve their prospects of remaining within a job and increase their knowledge of what is going on," says Dr Newton.

Louise Lucas

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Offshore Funds and Insurances

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Offshore Insurances and Other Funds

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Highs & Lows shown on a 52 week basis

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WORLD MARKETS AT A GLANCE

THE NASDAQ STOCK MARKET

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FT GUIDE TO THE WEEK

MONDAY 20

Burning issue

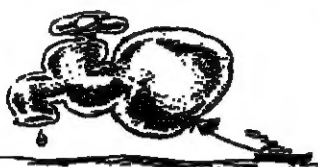
United Nations experts meet for two days in Geneva to discuss the technical details of co-ordinating fire-fighting operations for Indonesia where, unless they can be doused, devastating forest fires are likely to burn until October, when seasonal monsoon rains are expected to put them out.

Banana battles

European Union farm ministers meeting in Luxembourg will continue efforts to agree on how the EU should modify its banana import regime to comply with World Trade Organisation rules. The WTO last year backed a complaint from the US and several Latin American countries that the EU unfairly discriminated against them and in favour of Caribbean banana-growers. Ministers will also discuss aspects of Common Agricultural Policy reform, including the olive oil and tobacco sectors.

Water delivery

The first of three large water balloons designed to bring relief to drought-plagued northern Cyprus are due



to arrive in Turkey where they will be filled with fresh water before being towed by tug to the Turkish enclave.

FT Survey

Business Education.

Holidays

Cyprus, Egypt, Belarus, Bulgaria, Greece, Moldova, Romania, Switzerland, Ukraine.

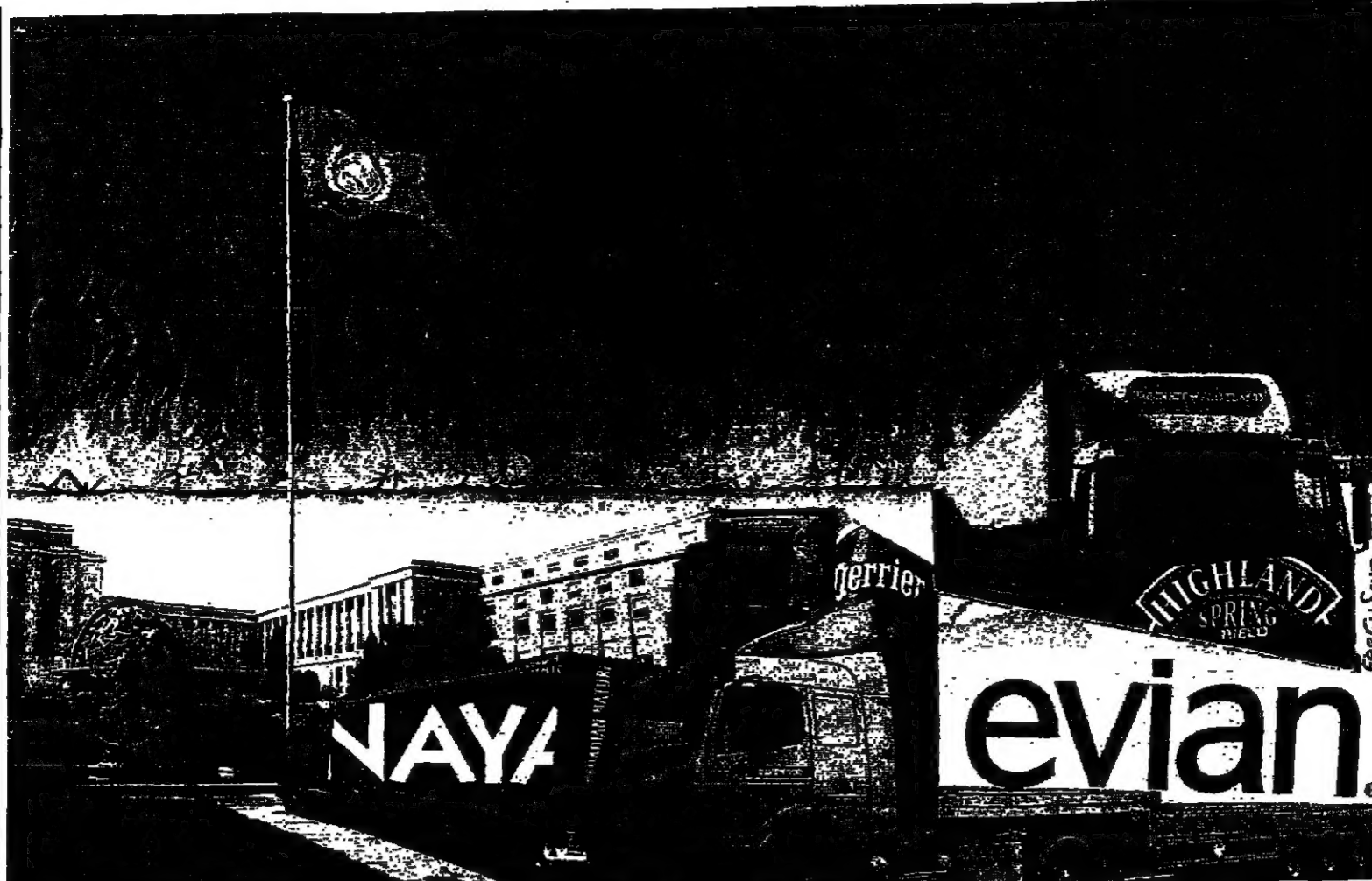
TUESDAY 21

Introducing the euro

Finance ministers from the 15 European Union member states will discuss three recommendations from the European Commission on the practical aspects of introducing the euro at a meeting in Luxembourg. They will also have further discussions on German-inspired plans to accelerate debt reduction and tighten budgetary discipline among the likely Euro-bloc countries. The Commission will present plans to speed up the creation of pan-European risk capital markets, and ministers will discuss possible balance of payments assistance to Bosnia Herzegovina and Albania.

Talking development

Business leaders gather with government officials at the United Nations in New York for two days of talks about how the private sector can best promote



United Nations experts gather in Geneva on Monday for two days of discussions on how to tackle the problem of forest fires in Indonesia

economic and social development while protecting the environment, particularly in developing countries. The dialogue, which will also involve trade unions and environmental groups, will be part of the two-week annual session of the UN Commission for Sustainable Development, established to track progress after the Rio Earth Summit. Among issues listed for discussion are environmental management systems standards such as ISO 14000, the promotion of eco-efficiency, the transfer and impact of new technologies, intellectual property rights and fresh water management.

Chinese leader's visit

Chinese vice president Hu Jintao arrives in Japan for a six-day visit during which time he will meet Keizo Obuchi, Japan's foreign minister, prime minister Ryutaro Hashimoto and other political leaders. He is also scheduled to meet Emperor Akihito. This year marks the 20th anniversary of the Sino-Japanese Peace and Friendship Treaty and Mr Hu's visit is aimed at boosting diplomatic ties between the two countries. It also paves the way for the visit in the autumn of Chinese president Jiang Zemin. Mr Hu travels on to South Korea on Sunday.

Rwanda questions

A parliamentary committee investigating the role of the French military during the Rwanda genocide of 1994 hears testimony from Edouard Balladur, former

prime minister, and his defence and foreign ministers at the time, François Léotard and Alain Juppé.

French euro debate

The French National Assembly embarks on a two-day debate on the European currency and economic and monetary union. Attention will focus on the position of the communists and whether they will continue to reject the common currency, despite being members of the government coalition.

FT Survey

Queen's Awards.

Holidays

Brazil, Romania.

WEDNESDAY 22

German jobs plan

The German cabinet is set to approve an action plan on unemployment. After its approval the plan will be sent to the European Commission in Brussels as part of a Europe-wide programme to tackle joblessness started at the Luxembourg summit last year. Germany, which has one of the highest unemployment rates in Europe, is one of three countries in the EU which missed last week's deadline for the submission of an action plan. The German plan is not

expected to signal a great departure from previously stated policy.

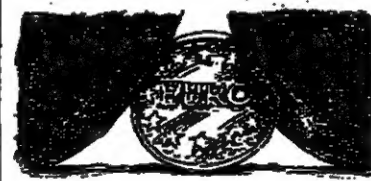
THURSDAY 23

Off the Mark

Germany's Bundestag, or lower house of parliament, is expected to give the go-ahead for the country's participation in the planned euro currency. The decision is symbolic because it involves Germany giving up the D-Mark, on which much of the country's post-war economic success has depended. The Bundestag debate follows reports from the Bundesbank and government on the stability of the new currency. On Friday, the Bundestag, or second chamber, is also expected to approve Germany's participation.

Kosovo vote

Yugoslavia holds a national referendum to seek popular backing for the Belgrade authorities' rejection of outside mediation in the crisis in the troubled province of Kosovo. The vote comes a day ahead of the deadline set by the peacekeeping



forces for Belgrade to make progress towards a settlement with ethnic Albanians in Kosovo or face sanctions.

Air space concession

Permission for international flights to enter North Korean-controlled air space is restored.

Defence conference

Forum Europe holds a conference in Brussels on European defence procurement at which the agenda includes cross-border rationalisation, Eastern enlargement, a 1998 EU action plan and a timetable of initiatives for the defence industry and the common defence procurement strategies for Europe. Contact Roberta Bonomati (322) 738 7594.

FT Surveys

Korea, Reporting Britain.

Holidays

Iceland, Turkey.

FRIDAY 24

Holocaust claims

The big three Swiss banks, the World Jewish Congress and lawyers for class-action plaintiffs who are suing

banks are scheduled to start the first round of talks at a venue still to be agreed on the settlement of outstanding claims dating from the Holocaust era.

Albright meets Plesu

Romania's foreign minister Andrei Plesu visits Washington where he will meet US secretary of state Madeleine Albright for talks aimed at improving ties between their two countries.

FT Surveys

Investing in India, Asian Financial Markets.

Holidays

Armenia.

SATURDAY 25

Military retreat

Nigeria holds National Assembly elections under the timetable for a return to civilian rule announced by General Sani Abacha, the country's military ruler.

Darmstadt speech

German opposition Social Democratic Party (SPD) chairman Oskar Lafontaine gives a speech at the Hesse region party conference in Darmstadt to decide on candidates for the September general election.

FT Survey

Quarterly Review of Personal Finance (UK editions only).

Holidays

Australia, Italy, Egypt.

SUNDAY 26

Election test

The eastern German state of Saxony-Anhalt goes to the polls today in what is seen as a crucial test of the popularity of the opposition Social Democratic Party ahead of a general election in September. Polls are showing the SPD and Gerhard Schröder, its new candidate for federal chancellor, with a strong lead, but also proving popular in the east is the formerly communist Party of Democratic Socialism. The nationally ruling Christian Democratic Union, victorious last time, is polling a poor third, and is likely to suffer another blow to its morale ahead of the general election.

Dam accord

Georgian president Eduard Shevardnadze is expected to visit Artvin, Turkey for a ground-breaking ceremony to open the Deriner dam and hydroelectric power plant on the two countries' border. Turkish president Suleyman Demirel and prime minister Mesut Yilmaz are also due to be present.

Compiled by Roger Beale
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ECONOMIC DIARY

Other economic news

Monday: Japan's trade balance for March should remain well above the levels of surplus seen in 1997. February's trade surplus increased by 89 per cent. A similar rise in March will see increased pressure on Japan to boost domestic demand. **Tuesday:** The influential Ifo business climate index in Germany is still below the peak in sentiment last September. But March's index is still forecast to be consistent with good growth. **Wednesday:** The UK's March unemployment and underlying average earnings figures will be closely watched by the Bank of England. A new monthly measure for unemployment is introduced, with a fall from the previous 8.6 per cent level expected. **Thursday:** Preliminary Italian inflation figures for April are likely to show a stable annual rate of 1.7 per cent, heralding a rate cut by the Bank of Italy. **Friday:** Final figures for French consumer prices should confirm an annual increase of 0.8 per cent. France's trade balance is also expected to remain healthy at around FF150n, showing no impact from the Asian financial crisis.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Mar public sector borrowing requirement	£8.0bn	-£1.8bn	Italy	Apr 11 cities consumer price index	0.1%	0.0%	
Apr 20	Canada	Feb manufacturing new orders	0.9%	-0.8%	US	Mar treasury budget	-\$15.0bn	-\$41.8bn	
	Canada	Feb manufacturing shipments	2.6%	-3.8%	Thurs	UK	Mar retail sales	0.5%	-1.2%
	Canada	Feb manufacturing I-S ratio	1.31	1.33	Apr 23	UK	Mar retail sales	4.4%	4.5%
Tues	Japan	Feb leading differential index	22.2%		US	Initial claims April 18		209k	
Apr 21	Germany	Feb trade balance	DM11.0bn	DM6.3bn	US	State benefits April 11		2121k	
	Germany	Feb current account	DM0.4bn	-DM13.1bn	Canada	Feb international securities transac	CS\$2.1bn	CS\$7.0bn	
	Germany	Mar Ifo West business climate index	98.7	98.7	Fri	Germany	Mar producer price index	0.0%	0.0%
	Germany	Mar Ifo West balance format	2.7		Apr 24	Germany	Mar producer price index	0.7%	0.7%
	UK	Mar retail price index	0.3%	0.5%	France	Mar consumer price index final	0.2%	0.2%	
	UK	Mar retail price index	3.5%	3.4%	France	Mar consumer price index final	0.8%	0.8%	
	UK	Mar retail price index (ex mortgage)	2.6%	2.6%	UK	Q1 pre-gross-domestic product	0.5%	0.6%	
	Canada	Feb wholesale trade	1.0%	-0.1%	UK	Q1 pre-gross-domestic product	2.9%	2.9%	
	Canada	Mar leading indicator	0.4%	0.5%	During the week...				
	US	BTM-Schroders April 18	0.5%		Germany	Mar M3 from Q4 97 base	3.2%	2.8%	
	Japan	Feb coincident index	20.0%		Germany	Mar M3 from Q4 96 base	4.3%	4.3%	
Weds	France	Feb industrial production	0.5%	-0.9%	Germany	Mar private lending £m annually	6.7%	6.5%	
Apr 22	France	Feb industrial production ex-energy	0.6%	-1.1%	Japan	Mar supermarket sales		-5.0%	
	UK	Mar unemployment	-10k	-14k	Japan	Mar department store sales		-6.6%	
	UK	Jan average earnings revised	4.5%	4.50%	Germany	Mar import prices	-0.4%	-0.3%	
	UK	Feb unit wages three months	4.8%	4.8%	Germany	Mar import prices	-0.3%	0.1%	
	UK	Mar M4	0.7%	0.6%	Japan	Apr trade bal (first 10 days, not)		¥94bn	
	UK	Mar M4	8.3%	9.7%	Germany	Apr pre cost of living west	0.4%	-0.2%	
	UK	Mar M4 lending	£4.0bn	£10.2bn	Germany	Apr pre cost of living west	1.6%	1.0%	
	Canada	Feb retail sales	1.2%	-1.9%	month on month, year on year, quarter on quarter, seasonally adjusted Statistics, Standard & Poor's M&A				

- ACROSS**
- Chemistry student's test paper (6)
 - Unusual for cypers to be so (10)
 - A site for a roadway (6)
 - Agreed that fellow politician hadn't told the truth (8)
 - Restrict dangerous driver - he's often flat out on the road (8)
 - He reviles a blockhead employer (6)
 - Close to and attack (4)
 - Studies hijacking plot (10)
 - One lacking a blooming partner? (10)
 - Flat race not completed (4)
 - Arms displayed in a hostile way? (6)
 - The last thing a crowd will do (8)
 - What old scholars often dipped into (8)
 - Man takes lead in play (6)
 - Follower of the team getting the boot (6)
 - Absolutely denied involvement (6)
- DOWN**
- Hide or give one a hiding (7)
 - Circulatory system forcing one to walk to work (6)
 - The game is up - it's admitted by employer charging excessive interest (8)
 - Flier without a single chart (4)
 - State of concern to the community at large (8)
 - Is about to compete with evergreen plants (6)
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